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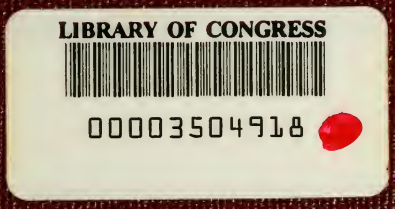

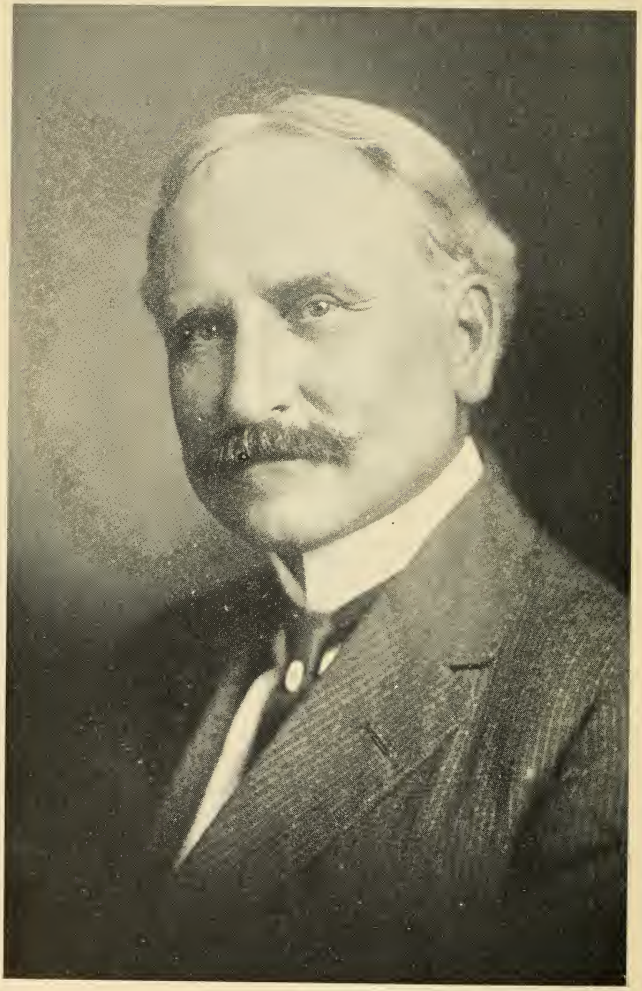

Edward Nelson Dingley

UNTO THE HILLS

SOME OF AMERICA'S PROBLEMS

by

EDWARD NELSON DINGLEY

1922

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"If we lose the smallest share of freedom we have no one to blame but ourselves. This country is ours to govern, ours to guide, ours to enjoy."—William McKinley, Jr.

"I believe in God, the living God, in the American people, a free brave people, who do not bow the neck or bend the knee to any other, and who desire no other to bow the neck or bend the knee to them."—George Frisbee Hoar.

"Not until a man has laid hold upon the absolute assurance that the right is right and that the God of righteousness will give his strength to the feeblest will in all the universe which tries to do right, has a man summoned to his aid the final perfect help."—Phillip Brooks.

Foreword

WHEN the Psalmist wrote, "I will lift mine eyes unto the hills from whence cometh my help," he recorded a profound truth underlying the development of the human race. Racial, political and economic progress have been possible because men of vision have been able to turn their eyes from the dead level of doubt to the living hills of hope. Throughout the ages of man, the hills have typified the power of personality and embodied the intensity of inspiration. The restless souls of the great have risen triumphant from the fogs and mists of human weakness, reached the heights, and, like Moses, viewed the promised land.

Nations and peoples have made progress only as their leaders possessed the power to lift their eyes unto the hills and gather from the abodes of the spirit the strength required to carry the burdens and responsibilities of their time.

Who has not experienced the awe and majesty of mountains and snow-clad hills? Who has visited the Grand Canon without being keenly conscious of an almost unconquerable, yea breathless, longing to see the mysteries of the Infinite, so near? Who has viewed the mighty works of the Almighty in the Rockies or the Alps, without absorbing some of their majesty and strength? David knew; and all the leaders after him, knew.

In every epoch and among all nations, temples, shrines, mausoleums and structures commemorating historic events, have been erected on the hills or elevated places, because the thought, the inspiration, the ideal of the builder was beyond

the common level. Harmony with that ideal demanded a sightly place. The very location was a constant invitation to lift the eyes unto the hills. The builders of nations realized the psychology of lofty ideals, and fashioned them in concrete form on the hills where they could be seen. They were symbols of religion or government. Their sublimity was emphasized by their environment. Whatever progress the world has made in three thousand years, either in science, invention, civil government or economic thought, has been due to this mysterious harmony between ideals of the finite mind and the hills of the Infinite. The Psalmist knew. Others know now.

True historians view the record of events from the heights, in perspective. They see the connecting links between great events, and measure the progress of mankind by the success or failure of ideals, by the rise or fall of institutions born of those ideals. The problem of the historian is to separate the eddies and whirlpools from the main current of the stream of human life. Often the forces of materialism are mistaken for the more essential ideals of human thought and spiritual culture. No historian can ignore these tremendously powerful forces we call spiritual. They are not found in treatises on politics or political economy, or in the statistics of trade and commerce; yet they are present and constitute an important factor in the modern problem of government and human welfare. They can not be discerned except when the eyes of the recorder are lifted unto the hills. Like all the silent forces of nature, they are the most powerful. They are manifest in the lives of all, and may be isolated and measured by the economist and the political scientist, just as an expert isolates and measures a chemical unit.

Foreword

The material progress of our country in a century and a quarter, has been the marvel of the world. The human brain has harnessed the elements, built cities and multiplied wealth. Inventions have challenged the miracles of old. We travel with the speed of the wind, on land. We fly with the birds. We explore the depths of the ocean and travel in submarines. We push a button and the night bursts into stars. We talk through space and hear voices in the air. Thus the material approaches the spiritual, slowly demonstrating that our future is wrapped up in and dependent upon, the spiritual.

In harmony with the spiritual uplift of the hills, the founders of America located the capitol on the highest available spot. This majestic structure is a symbol of enduring national life, and a shrine whose towering dome and crowning statue of Armed Liberty, afford an inspiring panorama of the nation's capital, and a vision of America's future. Here the wise and worth-while statesman need not keep his ear to the ground, but may lift his eyes unto the hills. Here great men may think and lead, and plan to solve America's problems.

The purpose of these chapters is to encourage observers of public events and students of national problems, to "lift their eyes unto the hills" and see the spiritual forces directing America, likewise the mighty course of the stream of American life. We can see the truth and gather strength for a correct solution of America's problems, only by lifting our eyes unto the hills.

E. N. D.

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CHAPTER I

The Outlook

IT IS fortunate that the American people are blessed with a spirit of optimism. It had its birth in the indomitable spirit of the fathers and mothers, who, three hundred years ago established an empire and laid the foundations of what has proved to be an agricultural, industrial and financial world leadership. Often it is said they built better than they knew; yet it is not impossible that some had a vision of the future too spiritual and apocalyptic to record.

It is a far cry from Jamestown to Washington of today; from Plymouth Rock to the Congressional Library and the Washington and Lincoln memorials. In that long intervening period can be visualized a panorama of devoted men and women, lofty ideals and ambitions, stern endeavor and achievement, marked by unerring progress and inevitable triumph.

Today the civilized world stands in amazement at the portals of America, and marvels at the magnitude of human endeavor when prompted by liberty and high resolve.

Confidence is the heritage of this generation. The optimism of ancestors hovers near, like a benediction. The hope of democracies and republics, lies in eternal conviction that a majority, knowing the facts and the truth, invariably decides and acts for the welfare of all. No crisis has overwhelmed this republic, because its foundation stones are laid in the firm belief that Providence watches over the affairs of people, if permitted to come in and abide. It is significant

that the framers of the Federal Constitution, in the city of Philadelphia, were unable to agree or to frame a document acceptable to a majority until Benjamin Franklin reminded the delegates that they had failed to ask for help and guidance from above.

It is the fashion among not a few otherwise shrewd and sensible students of history and observers of current events, to call forth the ghosts of centuries gone, the horrors of revolutions, the fall of empires and the cruelties and wrongs of rulers and dynasties, the tyranny of gold and the power that goes with it. It is the fashion in some circles to point a warning finger and nod the head knowingly, as if the cynic were clothed with some superhuman power to divine the future, to write the nation's horoscope and predict its downfall. The misanthrope, the croaking raven in human garb, delights in tales of national disaster. All are false — born of a false understanding and analysis of American life. After all critics, in their assumed wisdom, have told of the perils and pitfals of the Republic, the weakness of our form of government and the impossibilities of democracies, somehow every crisis is passed safely and the people emerge stronger and more sanguine than before.

There is no concealing the fact that the people of America face a crisis now — a crisis of no small proportions. It has two phases — social and spiritual on the one hand, economical and financial on the other. In its spiritual phase, America is undergoing a social or spiritual revolution. Our democracy is not a failure, however, because there appears to be an increase of crime, scandal and bad conduct in high places. Too often there is a failure to apply to moral affairs and religious matters, the same rule of averages, the same test, applied to other departments of life. One hundred per cent efficiency is

expected in the religious and spiritual world, while only seventy-five or eighty per cent efficiency is expected elsewhere. It can not be gainsaid that the social, moral and spiritual level of America is far higher today than it was fifty or a hundred years ago, despite appearances to the contrary. We hear promptly of the one who goes wrong, and seldom if ever hear of the ninety and nine who go right. The lost sheep is the most talked about, and makes the most noise. The route of national life for centuries has been upward, constantly. America leads morally and spiritually, because its chariot is guided by men and women who do not crowd out Providence.

Nor is the thoughtful student of current events unmindful of the existence of an economic crisis. It is apparent in all sections and among all classes. No one event or fact is responsible for this; it is the result of the law of cause and effect. There are some things even a republic of unusual vigor and strength can not do, without inevitable suffering. A violation of the laws of economics brings disaster to the national body, just as a violation of the laws of health brings physical disaster to the offender. In the physical and material world, nature presents its little bill, always. In the economic world, nature does likewise. The cure of the individual can be wrought only after great suffering and long recuperation. The cure of the republic can be accomplished only after all have borne their share of the burden and the suffering.

An economic illness spares nobody. All suffer. Americans, both those of large and small means, are in travail today because of a violation of the fundamental laws of economics. The first cause is war; the contributing cause is national extravagance, waste and recklessness. What once had the appearance of unprecedented prosperity turns out to be a

shadow — a bubble. What promised to be national wealth is ashes. High prices and high living have been the product of wild inflation and the printing press. Once more it has been demonstrated that Congress and the federal government can not create wealth and make people rich and happy. There is only one road to permanent wealth, and that is by industry, work and thrift. Most of the war time fortunes have disappeared, because they were accumulated contrary to the ordinary rules of sound economics. What is obtained quickly and without much effort, departs as quickly and with the same lack of effort. Experience teaches that to get rich quickly is to get poor quickly.

The unparalleled unemployment was the result of a violation of the normal economic laws under which wealth is created and distributed. Lured by an international mirage, an ignis fatuus, America lost its bearings and drifted. It forgot its real mission — the making and preservation of America first, the protection of Americans first. The war, begun and conducted to stamp out tyranny not only in Europe but in America, resulted in economic disaster to America. Men and women will fight for an ideal, will struggle to save liberty; but when the fighting is over they demand the economic fruits of liberty. Idle men and women with empty stomachs do not make good patriots. The war lost its glamor when the pinch of no-work and no-food came. The fever of world-patriotism has had its run. Now the sufferers demand employment and a chance to live in an America worth while. Three years of economic debauch bring the republic face to face with a tremendous problem. It can not be solved in a day, nor a month nor a year. But it will be solved in time, as other great national problems have been solved.

Linked to the economic crisis is the financial crisis. It is staggering, but must be met with courage and confidence. Likewise this crisis has its genesis in the war, its growth in national waste, and its culmination in almost criminal extravagence. The problem is serious in the extreme, and must be met. It can be overcome only with the aid of loyal and patriotic citizens.

There can be no return to employment, no resumed prosperity, no "good times" until the nation's finances are put in order, credit money reduced, inflating of currency stopped, and prices due to inflation, lowered.

The credit of the republic measures the value of its obligations, including both bonds and notes. Its bonds were below par because there were so many of them. Its notes (federal reserve and others) had about 50 or 60 per cent of their purchasing power as compared with 1914, because there were so many of them. The process of recovery, of a return to normal conditions, will be tedious and prolonged. It is useless to promise a miracle. Congress can not create wealth or restore former conditions by a mere fiat. Recovery will be a matter of years. Congress can help the operation of the laws of finance, that is all.

It is impossible to exaggerate the seriousness of the financial situation, yet the optimism and confidence of the fathers and mothers of early days are manifest in the halls of legislation and in the hearts and minds of patriots.

The republic never faced before such an appalling situation as confronts it today. In 1820, at the close of the war of 1812, the public interest-bearing debt was $91,000,000, or $9.44 per capita. In 1850, at the close of the Mexican war, the public debt was $63,000,000, or $2.74 per capita. In 1866, at the close of the Civil War, the public interest bearing debt

was $2,636,000,000, or $74.32 per capita. In 1899, at the close of the Spanish-American war, the interest bearing debt was $1,044,000,000, or $15.55 per capita. In 1919, at the close of the great World war, the public interest-bearing debt of the United States was $26,596,000,000, or $228.63 per capita.[1]

The great war cost the United States $32,830,000,000 including the credits to the allies, or $23,424,000,000 excluding those credits. The war of 1917-18 cost the United States approximately six times the total cost of the Revolutionary war, the war of 1812, the Mexican war, the Civil war, and the Spanish-American war, combined.

The figures demonstrate that the eight years between July 1, 1913, and July 1, 1921, were the most costly and extravagant in the whole history of the republic. This statement has been made repeatedly, but it is most startling when visualized. During this period the federal government collected $85,789,000,000 and spent $87,800,000,000. These receipts and expenditures respectively, were more than the entire receipts or expenditures of the federal government for seventy-five years previous, including three wars.

During the fiscal year 1919 alone, 12 departments of the federal government expended $46,609,000 on account of "National Security and Defense." This was in addition to the regular and ordinary appropriations for the several departments. Government construction and operation of ships, and government operation of the railroads required the expenditure of $7,000,000,000.

This analysis of the financial situation reveals the biggest problem of the hour. There is no short way out. The road of extravagance, waste and recklessness must be retraced to

[1] June 30, 1922, the interest-bearing debt was $22,963,000,000.

the safe and solid abode of financial solvency and economic equilibrium. All must share the burden. The journey may be long and tiresome.

To guide the republic through the fog and amid the shoals; to rescue the nation from peril if not disaster, is the great work of this generation.

This outline of the situation and the problem challenges the patriotism, patience and pride of every citizen. The present duty is to justify and perpetuate the faith and optimism of the founders of the republic.

CHAPTER II

Nationalism and Patriotism

NO MORE inspiring scene has been enacted in the halls of Congress in recent years, than when the resolution to enter the world war was adopted. The air was charged with enthusiasm and patriotism, reverberating to the farthest confines of America. What was the impelling force? Nationalism and the spiritual power that accompanies it always. The eyes of all true Americans were lifted unto the hills. It was a sublime moment.

The United States did not enter the world war to make the world safe for democracy, but to save American nationalism. Viscount Grey said truly: "The allies have been fighting for the same idea of national human liberty as the United States, but fighting also for the immediate preservation of national existence in Europe." England fought for her existence as a nation. So did France and Italy and the United States.

Congress enacted laws to protect and promote nationalism. Violators of the espionage law were punished severely. Disloyalty to the flag and the cause brought swift retribution. Conscientious objectors to the draft law were subjected to close examination, and were a synonym of mental and physical cowardice. This was a manifestation of nationalism to the highest degree.

While our soldiers were helping in the cause of nationalism and civilization, many who remained at home in safety,

not only evaded their duties and responsibilities, but sowed seeds of doubt and disloyalty in the field of nationalism. Wrote one: "The immoral aim of national expansion and self-sufficiency gives way to the moral aim of the brotherhood of mankind and the solidarity of human interest." Another wrote: "There must be a partial surrender of these ambitions which nationality, in its blind seeking for self-determination, has inhibited." Said another in an address in Philadelphia: "The root of war lies far less in competitive capitalism than in competitive nationalism. Nationalism is an instrument created by disorganization and can serve only disorganization."

At this writing, there exist organizations and private propagandists seeking to destroy the spirit of American nationalism. It comes from foreign sources or their allied interests in America, largely. He is blind to passing events who denies this. It is possible to write the names and active officials of many of these organizations created ostensibly to promote peace and brotherhood, but really to rob the United States of its birthright. Even many of our school histories are rewritten with the spirit of American nationalism, which the founders and fathers of the Republic created, omitted. The insidious purpose is to teach the coming generations in America, that nationalism is a myth and national heroes of little account. Lecturers and writers from foreign lands preach the doctrine of internationalism, and seek to rob us of all we and our forbears have held dear for more than three hundred years. In a recent address almost under the shadow of the capitol, a United States judge said: "The Declaration of Independence and the Constitution of the United States would not have been written if some of the most ardent

exponents of so-called Americanism of today had been living at that time.[1]

Business and industrial America must be awake to the fact that insidious forces are seeking to change the current of our national life, and revolutionize fundamental principles of economic and political evolution. Our ancient landmarks are being destroyed; and social, industrial and political experiments are offered as antidotes for all human ills. We are being lulled to sleep by soft words.

America faces a crisis because of the nostrums handed out by an army of quacks burdened with much theory and blessed with little practice or experience. Strong men, sturdy men, practical men, are needed now more than ever, to point out the dangers ere the Ship of State is wrecked on the shoals of world brotherhood, or on the rocks of false internationalism — a disaster that if it comes, will be due to a failure to follow the milestones of history and to profit by the experiences of mankind. It is said that nationalism is immoral. This is a summary way of disposing of the great march of historic events since the world began. Was America's national expansion immoral? On the contrary, America owes her national power to the inspiration of the fires of nationalism.

After the fall of Rome, Europe learned, at the cost of centuries of anarchy, that the destruction of the principle of nationalism was an utterly false method of establishing and promoting civilization. The Thirty Years' War will live

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[1] In the Senate June 5, 1922, Senator Watson of Indiana referred at length to the activity of certain foreign representatives and foreign writers and speakers in the United States. Among other things he said: "I for one insist that these gentlemen who come here to represent foreign nations should not undertake to dictate to us what our policy shall be . . . I desire as one Senator, to resent intereference from abroad in our domestic affairs." The Boston City Council has passed an order calling upon the trustees of the Boston Public Library, to ban from its shelves a recently published anglicized volume entitled "Book of American Wars," on the ground that it "grossly misrepresents heroic characters and events."

forever as a tale of horror; but its close marked the eclipse of the aim of world dominion and world citizenship, such as many Romans cherished, and witnessed the definite appearance of territorial nationality. Then came Hugo Grotius, giving the world its first clear definition of international rights. Three centuries of war brought territorial settlement which is essential to any stable civilization. It was the birth of the nation.

Democracy has moved forward in perfect step with nationalism. Freedom and self-government have been possible only under the protecting care of nationalism. The national spirit has spelled progress, education, civilization. Washington never lost sight of a nation in the western world. Garibaldi, exiled, never turned aside from his purpose of making Italy a free nation. When a people loses its spirit of nationality, decay follows speedily. Edward Everett Hale told the story of nationalism in *The Man Without a Country.* Said Nolan: "If you are ever tempted to say a word or to do a thing that shall put a bar between you and your family, your home and your country, pray God in His mercy to take you that instant home to His own Heaven . . . And for your country and for that flag, never dream a dream but of serving her as she bids you, though the service carry you through a thousand hells."

Now it is proposed by some to turn back the hands of the clock, and submerge nationalism in some sort of internationalism. Already America, an independent nation, is vexed and tried with many problems certain to tax the wisdom, skill and ingenuity of our strongest, safest and best men and women. We are facing grave dangers, both industrial and economic, as well as political. Democracy at home is an experiment still. Will an international political alliance

make our problems less serious and acute? The problems of peace are as serious as the problems of war. Peace and world brotherhood will not eliminate the problems of commercial competition. They are right upon us. We can win only by adhering to nationalism and patriotism. In 1918 a writer in the British Fortnightly Review said: "When the war ends, the nations which have destroyed their accumulated wealth must work the more feverishly to renew and replace their lost capital. If that be the world's commercial position, how can it be pretended that the normal relationship of one state to another will be that of friendly neighborliness?" These wise words apply to America as well as to Great Britain. The United States can promote the cause of peace best by remaining independent — a strong, virile and proud nation, protecting herself against other nations, yet at the same time contributing generously to human brotherhood and world progress.

The world war, in which so many brave Americans gave their all, ought to make a new America by inspiring a new nationalism. That nationalism, more than ever, should take the form of preparedness for peace as well as war, of protection in all forms, and of sacrifice for established institutions. The test of democracy is nationalism. Our boasted democracy long since disappeared in a Republic. Let all patriots unite in making America a safe republic, a safe nation, in which to live. That is a problem sufficiently large and important to absorb the attention of this and succeeding generations.

The late Theodore Roosevelt wrote: "Patriotism was once defined as the 'last refuge of a scoundrel.' Dr. Johnson was a cynic and did not comprehend the full meaning of patriotism. He failed to realize that love of country is one of the elemental virtues, even though scoundrels play upon

it for their own selfish ends." Again he wrote: "There are philosophers who assure us that in the future, patriotism will be regarded not as a virtue at all, but merely as a mental stage in the journey toward a state of feeling when our patriotism will include the whole human race and all the world. That may be so; but the age of which these philosophers speak is still several aeons distant. In fact, philosophers of this type are so very advanced that they are of no practical service to the present generation . . . . . As things now are and have been for two or three thousand years past and are likely to be, for two or three thousand years to come, the words 'home' and 'country' mean a great deal. Nor do they show any tendency to lose their significance. At present, treason ranks as one of the worst of all possible crimes." Again he wrote: "No one of our people can do any work really worth doing, unless he does it primarily as an American. He who deserts America and lives abroad, does not really become a European, he only ceases being an American, and becomes nothing." Again he said: "Americanism is a question of spirit, conviction and purpose, not of creed or birthplace."

We are concerned with the great drama of the present and the future. It forbids us to look at the future with blind and careless optimism. Said Mr. Roosevelt: "We must neither surrender ourselves to a foolish optimism nor succumb to a timid and ignoble pessimism. Our nation is that one among all the nations of the earth which holds in its hands the fate of the coming years. We enjoy exceptional advantages, and are menaced by exceptional dangers, and all signs indicate that we shall either fail greatly or succeed greatly. I firmly believe that we shall succeed; but we must not

foolishly blink at the dangers by which we are threatened, for that is the way to fail."

Viscount Bryce said: "Race sentiment is one of the elements which go to make up national sentiment and national pride. It helps to make a people cohesive. Race consciousness is the core of nationality."

Francis Lieber said: "Without a national character, states can not obtain that longevity and continuity of political society which is necessary for our progress. Even our patriotism has become pre-eminently national."

Someone has said: "A nation is a collective memory and a collective hope. It is cemented in remembered sacrifice and maintained by expected devotion."

Nationalism and patriotism have promoted civilization, stirred the souls of millions, given the world its best poetry and song, and tuned the harp-strings of melody to the heart-throbs of humanity.

God forbid that we should lose either nationalism or patriotism!

In a speech delivered in the Senate July 26, 1917, Senator Borah discussed the causes and consequences of the entrance of the United States into the world war. Here are a few words from this eloquent, patriotic and American speech: "After we have declared war and taken steps upon the part of the Government which necessarily follow, we come then to deal with another world entirely. We leave the field of form and formality to find ourselves in the world of the concrete, of the real, where hearts throb and grieve and men are prepared to suffer and die. From this forward we must deal with the man on the street, in the field, and in the factory; the man of simple and fixed, but noble national instincts; the man, bless God, in whose moral and intellectual fiber are

ingrained the teachings and traditions and aspirations of a century of national life — a national life separate, distinct, exceptional and sublime. You will not change these things overnight. The American citizen must live his character; you can not transplant in a few weeks the habits and ideas, the methods and ways of other people. We have our allies, and with them a common purpose, but America is still America, with her own institutions, her individuality, the moral and intellectual conceptions of her own people; she is still a sun and not a satellite. Sir, if our own institutions are not at stake, if the security of our own country is not involved, if we as a people and as a Nation are not fighting for our own rights and the honor and lives of our own people, our declaration of war was a bold and impudent betrayal of a whole people, and its further continuance a conspiracy against every home in the land."

CHAPTER III

Protection and Civilization

IN THESE post-war and readjustment days, there has appeared a school of economists declaring that new world conditions impose upon America a departure from the tried precepts of "America for Americans," and a substitution therefor of "America for the world." It is asserted that patriotism is national selfishness and protection is isolation. It is argued that civilization will be lost unless America plays her part in world problems by surrendering American problems. It is claimed that nationalism is a peril and a cause of war.

Organized society presupposes separation into subdivisions marked by differentiating characteristics, languages and living. Color of skin, texture of brain, and structure of face and body, separate the human family as much as form, habit and inherent instinct separate the birds of the air, the lower orders of animals and the fish of the sea.

Mountains, rivers and oceans are natural barriers against amalgamation. Tribes, cities, communities and nations, dwell separately, because a physical union of humanity is impracticable, impossible. What we call civilization is the outgrowth of a variety of social organizations for their own welfare. When the empires of old undertook world dominion and universal authority, they fell of their own weight; and nations of limited territory, concentrated populations and common interests, took their place. The recent war in Europe

accentuated this tendency, for a dozen new nations arose therefrom.

The long struggle for human liberty and constitutional government in representative form, never could have been successful without this separation into nations for the common defence and general welfare. Art, science, literature and government have been the outgrowth of separation, individual liberty and initiative, and the protection afforded by social organizations founded on law and order.

Governments, of whatever form, exist for the protection of the governed. That protection is measured by the degree of safety to life, liberty and property, and the degree of freedom consistent with the rights of others. Protection fosters and promotes love of country and pride of patriotism. Protection makes for mutual interest and co-operation and cultivates a spirit of brotherhood. Protection is not only an economic force; it means not only machinery and wages, but moral and spiritual well-being. Viewed from this vantage point, protection is not isolation, it is not selfishness. On the contrary it is unselfish, and helpful to co-operation.

Too often national protection is measured in terms of import duties at the custom houses. This is only the first economic symptom of a great spiritual force touching the hearts and souls of all within its zone. Like the waves of sound or the flash of electricity, this force reaches out and in some degree, affects the lives of other nationals. Protection is not isolation, it is human welfare.

No longer is political economy, or the principle of protection, a material science only. Whatever touches life touches not only the material, but the spiritual. It may sound strange to talk of economics in terms of spirit or soul life; nevertheless a new light has penetrated this hitherto cold and calculating

cloister, and political economy and the doctrine of protection throb and pulsate with concepts higher than national well-being. Protection can not be isolation, for it is a part of the great soul of humanity.

Patriotism is a manifestation of this higher form of protection, transcending anything material. Patriotism can not be measured by economic rules or formulas, nor by the yardstick or scales. It is of the nature of spirit and soul, and as far removed from selfishness as the two poles of the hemisphere we inhabit are removed from each other. This love of country that we call patriotism is not out of harmony with love of humanity, because it is spiritual; and whatever is spiritual is universal. So that, when patriotism is analyzed or translated into cosmic terms, it is perfectly consistent with love of humanity and world brotherhood, of which we hear so much. Since the principle of protection is synonymous with patriotism, when measured by the same rules we apply to patriotism, protection is not inconsistent with world brotherhood.

If we start with the hypothesis that protection and national patriotism deal with the material and nothing else, there is but one conclusion, but one end of the road, namely selfishness, isolation and possible deterioration and disappearance of what we call civilization. If we take a higher view of patriotism and its prototype protection, we are led straight to the conclusion that both are manifestations of what is best in human life.

The world war was a great shock to so-called civilization. It is claimed that the old order has broken down, and that nationalism, patriotism and protection have proved futile. Every country is struggling to the breaking point with the tragic problems of the times. Not a few pronounce Chris-

tianity a failure, because it could not or did not avert war. Established systems and accepted principles seem to be shaking like reeds in the wind. The moorings of humanity are said to be shifting, and the world appears to be crying for reconstruction. In the midst of this appeal are the sordid remedies of the materialist, the quack remedies of the Communist and the Socialist, all taking advantage of the temporary disaster. The social scientist suggests drastic economic revolution. The internationalist suggests free trade. The communist, unmindful of Russia, suggests the destruction of capitalism and private property as a cure for greed. There is a united assault upon the citadel of nationalism, patriotism and protection. These landmarks must be swept away, it is said, to save civilization, and America must take the lead.

This social upheaval is due to a misconception of the cause of the war and the remedy to be applied to the malady. While all wars are, superficially, essentially economic, the real causes lie back of that. Civilization and world brotherhood collapsed in 1914, not because of nationalism, patriotism or protection, but because these attributes of human nature were measured in terms of economic materialism. The remedy is not their eradication, but their proper application and interpretation. Then they will aid and promote the right sort of civilization, and offer an effective remedy for the ills of society.

Most of the contributed remedies for the social and economic maladies of the times, are founded on materialistic philosophy. They rest on the outer-construction of society. No such panacea for the relations of men will be adequate or permanent. The remedy must be within, not without. There

must be a full and complete reorganization of the spiritual forces of recovery. In the present world crisis, cold economics, taxation, balance of trade, rate of exchange, and all kindred remedies, important as they are, never will be completely effective without the assistance of spiritual forces. Of these forces, patriotism, love of country and protection are living examples.

The highest attributes of human nature are spiritual and moral. If these attributes are marshaled, if the inner life of America is mobilized, they will save the civilization, not only of America, but of the whole world; if they are sacrificed on the altar of economics and materialism; if the heart and soul and spirit of America are harnessed to a mere mechanism or material structure, no cure will be effected. Furthermore, a greater disaster than the last war may be not far ahead.

The only solid foundation stones left in this troubled world are moral and spiritual. If they are removed, the whole structure may fall. Neither American nor world regeneration can come from political or economic reorganization alone, but from the moral and spiritual resources of men. Politics and economics must be lifted to a higher level. Then will come a campaign for lasting human betterment.

America was born in the cradle of liberty, nurtured in the lap of patriotism and matured under the fostering care of protection. These inheritances are moral and spiritual, making possible the economic triumph of later years. Nor did these attributes blind Americans to their duty to the backward and suffering in all climes. Christian missionaries from our shores evangelized much of the world, established churches and schools, all in the name of American civilization made potent by American patriotism, love of country and

protection. Materialism has never been the mainspring of American progress. Economic formulas will fail so long as they assume the entire responsibility for the salvation of the world.

The philosophy of economics must be harmonized with a higher philosophy if the world is to be redeemed. Doubtless such harmony may seem impossible to the materialist and the naturalist, to the student of economics who thinks in terms of commodities only. Yet analysis of economics demonstrates the eternal truth that nothing in that so-called science endures unless closely allied to the spiritual and the moral; and by that is meant the forces that contribute to the higher and better life.

Throughout the decades since economics became an accepted science, America has pointed the way to a more desirable civilization, because its enduring political activity, its social progress and its legislation, in the main, have been spiritual and moral, not material wholly. The church and the school house have been essential factors in America's scheme of social organization. Patriotism, love of country and protection, all spiritual and moral attributes, have been predominant in American life. To destroy them is to disintegrate the highest ideals upon which, it is conceded, the world leans in this hour of tribulation.

No League or Association of Nations can save civilization if boundaries, trade, commerce, limited armaments, and materialism are the guiding and dominating forces. Peace and brotherhood will not prevail if only a new mechanism is secured. Democracy of social order alone will not redeem the world and save civilization. There must be a reformation of the inner, not the outer world, a revival of every moral and

spiritual force within the individual, an earnest effort to preserve and protect the only forces that have endured or can endure, namely, the spiritual forces.

Civilization is staggering. There is no doubt of it. But recovery is certain in time, provided the cure is sought within, rather than without. With its eyes fixed, not on politics, not on self-aggrandizement, not on economics; but on the inner world of spiritual power, America can and will assist, yea lead, in the salvation of the world. A political alliance, a material association, will be a temporary alleviation only, a postponement of the hour when all may be lost. Faith in America's conception of national life, reliance upon the ideals which inspired and lifted the fathers and mothers of days gone by, will solve the problem and bring light out of darkness.

Often it is said that the result of the war is a new world wherein established systems must give way to new, economic rules and formulas must surrender to new relationships, and the national spirit must succumb to the cosmic idea. On the contrary, the world has not changed materially. Human nature has not altered appreciably. Because of this static condition, war came; and if this condition prevails, other wars will follow. Social and economic science can not effect a cure if the spiritual and moral elements, which alone have prevented a total collapse, are suppressed or ignored. The trouble is that the world and human nature have not changed and can not change by the mere mechanical application of external remedies. There must be a complete surrender to the powerful inner forces.

To sum up, national life, liberty and all legitimate forms of protection, are spiritual and moral essentially. To con-

fuse them with material economics and physical machinery, is to invite disaster.

Man can not live by bread alone, neither can nations. The eternal truth is spiritual and moral. "Ye shall know the truth and the truth shall make you free."

CHAPTER IV

Americanism and Immigration

WHAT is an American? Have we any pure Americans? What is Americanism? Is it in danger?

Hamilton Mabie says, "There is no absolute purity of race." This may be true; probably is. But does it militate against American ideals? Will it destroy Americanism and the American spirit? If so, what must be done to save America and preserve the American spirit? It is said that there are fifty-six different nationalities or languages in the United States, and unless something is done to check immigration, in another quarter of a century, three-fourths of our population will be of foreign extraction.

In approaching this serious problem, it is well to consider briefly: What is an American? He is a man of action, never static; he is a man of business; he saves time in order to be efficient. American ideals gather about big things and flourish in the atmosphere of immensity. He sees big lakes, big rivers, big mountains, fast trains and the tallest buildings. He is called a money-worshipper, yet his increase in wealth only invigorates his Americanism. To the American, dollars signify opportunity. The economic ideal underlying it all is the realization of a dream. Some one has said that Americans are "the strong wings upon which he mounts to greater heights." They are the means to make his dreams come true. An American feels that he is a part of his country, and a vital force in his country's destiny.

Beneath the rough exterior of an American business man

The Capitol, Washington, D. C.

beats a tender heart and dwells a love for the beautiful. His very struggles against adversity, his innate desire to see the other man succeed, makes him generous and sympathetic. Every year the gifts of American business men to all sorts of philanthropic and charitable institutions amount to more than half a billion of dollars. Men are learning that riches and wealth are given to the fortunate few in trust for the less fortunate many. Beneath the dollar sign there is love, kindness, charity, benevolence. There is nothing like it in all the world.

The American spirit is to believe that there is more good than bad in the world; that America offers a square deal to all who offer a square deal in return. The morals of America are on an infinitely higher level than in any other country. Churches, schools, and colleges count for more, and religion means more in America than elsewhere. There is a flavor of human interest or humor, and spiritual uplift, in American literature not found elsewhere. American writers of the last and the present century breathe the spirit of America and reveal the soul of American life.

The national characteristics of America create the American spirit of self-reliance, of helpfulness, of neighborliness. Kipling is said to have written: "The Frenchman has no use for liberty or fraternity, but loves equality; the Englishman does not like fraternity or equality, but liberty; while the American cares less for equality or liberty, but more for fraternity."

Matthew Arnold visited this country and wrote: "America's dangers are self-glorification and self-deception." This may be an Englishman's views; but if correct, it is a virtue and not a vice. Americans are loath to give their true color to a transient Englishman. If Americans are boastful,

they have much of which to boast; if they are self-deceived, they do not deceive others since they are frank always. Yet what appears to be boastful to an Englishman, is American enthusiasm; and what appears to be self-deception is American idealism dreaming. The Englishman has no such experiences. The true American places the man or woman of deeds on a pedestal of honor and national regard to which mere inheritance of wealth never aspires. Lincoln typifies the "heart quality" of America. In the words of a great writer, the American "though fragile as a reed, removes mountains spiritual as well as physical."

There are scores of organizations, public and private, whose mission is to Americanize the immigrant. They are doing marvelous work. Are they teaching the immigrant the fundamentals of Americanism? While it is true that the most obvious expression of the American spirit is the political organization of the nation, it is not enough to teach that, important as it is. The leaven of Americanism must come through the atmosphere, through example, through education of the heart and the soul more than the head. The average immigrant comes to America "a tossing atom in a seething crowd." To reach him, there must be no prejudice or antipathy; an abundance of education, and an inspiration to be identified with the affairs of America.

The problem is all the greater when we recall that 72 per cent. of our immigrants are in the large cities, and 51 per cent. in New York city; that 47 per cent. of our own people were born in some other country than the United States, or had one ancester born in some other country; and that only about one-third of that 47 per cent. is of English speaking birth or parentage.

Americanism and immigration are closely associated. It

might be stated with some degree of accuracy, that the level of Americanism is determined by immigration, largely. While it is true that our ancestors, the original settlers who came to Pemaquid, Plymouth and Jamestown, all were foreigners from the point of view of the aborigines and the Indians, there must be established some starting point, some line of differentiation between what we call Americans and what we call foreigners. The date of naturalization does not wholly supply that line. That is individual. What we are searching for is a line or a date where we may fairly say that real Americans began to exist.

The population of the United States in 1790 was 3,929,214. In 1820 (when the first statistics as to immigration are given,) the population was 9,638,453. In 1840 the population had increased to 17,000,000. The total reported immigration between the years 1820 and 1840 was 106,373, which was only about 1½ per cent. of the total increase in population during those years. The year 1840 was the first year when immigration assumed what might be called large proportions. Hence the year 1840 might properly be selected as the line of demarcation between what we call Americans and foreigners, since large immigration began that year.

It is interesting and significant to note that between 1840 and 1922, more than 28,280,000 immigrants arrived in the United States. The population of the United States increased about 83,000,000 during that 82 years. Immigration accounted for about 36 per cent. of this increase. The largest immigration was in the years 1905, 1906, 1907, 1910, 1913, and 1914. In the latter year 1,218,480 immigrants came to our shores. In that year (1914) the largest number of immigrants came from Italy, Poland, Germany, Greece and Great Britain. In 1915 immigration declined rapidly, due primarily

to the world war. In 1918 it was only 110,618. Immigrants from 29 different countries, speaking 20 different languages, arrived here between 1871 and 1921, thus testifying to the cosmopolitan character of our population.

Chief Justice Taney decided long ago that "the people of the United States" and "citizens" are synonymous terms and mean the same thing. So the people of the United States are the citizens thereof. The number not citizens is estimated between 12,000,000 and 13,000,000. Our white population of native parentage is about 53 per cent. of the whole. About 47 per cent. is of alien race, or have one or both parents foreign born. Says Representative Albert Johnson of the latter: "Potentially good citizens, to be sure, but too many of them are quite ready to fight Europe's battles right here on our soul, which is, of course, their soil also."

The immigrants of the period from 1840 to 1904 became sober and good citizens as soon as possible. Many became governors, judges and mayors, and were useful in public offices. About 1905 America ceased to attract the old immigrant, and became the goal of a new kind, mostly well-intentioned but speaking every known tongue or jargon, crowding our cities, reading their own language papers, cutting each other's wages in the fight for existence, and presenting new and serious problems to local, state and federal government. However, it must not be forgotten that 400,000 of these young aliens put on the uniform of Uncle Sam and were willing to die for their adopted country.

In 1921 it was admitted that the United States needed a breathing spell. It was argued that if immigrants were admitted at the rate of former years, unemployment would increase, cities would be overcrowded, and in every tenement house would "live an alien who is preaching the country's

overthrow and handing out revolutionary literature printed in the language of the newly arrived." Opportunity for immediate gain is the goal sought by many immigrants, and in the present congestion of our cities that opportunity does not exist. Discontent is fanned into flames of revolution.

"Why suspend immigration?" was asked in 1921. Because we have over 12,000,000 now on hand to naturalize and bring into the fold. "I contend," says Representative Albert Johnson, "that with more than 12,000,000 unassimilated aliens on hand, with aliens pouring in from 50,000 to 75,000 a month, we, the people of the United States stand a chance of being assimilated before we can assimilate the mass. Our American spiritual unity, which seemed so secure a few decades ago, is not yet forfeited. I think it is threatened."

So Congress passed the act of May 19, 1921 to limit the immigration of aliens of any nationality into the United States, to three per cent. of the number of foreign-born persons of such nationality resident in the United States as determined by the census of 1910. The first three months of the act of 1921 reduced the net number of new immigrants to 44,014. In one week only 1,500 arrived at Ellis Island, whereas in the corresponding week of 1920 more than 15,000 arrived. In eight months under the restriction act, only 192,000 immigrants arrived, as against 805,000 in the corresponding period of 1920. The three per cent. act permitted the admission of 355,461; the census of 1920 would have increased this number to 361,652. The law has been interpreted broadly to avoid injustice and inhumanity, and has been extended to June 30, 1924.

In 1921 the problem was made immediately pressing from the fact that nearly all of central Europe seemed to be on the move. "If we do not suspend immigration, we must

build more Ellis Island structures or open barracks," says Representative Albert Johnson. On the other hand, Representative Cochran, a leader against the restriction of immigration, says: "During the world war, there was practically no immigration. What was the result? A grave interruption of industry. The great mass of active, mobile labor which immigration can afford, is the force on which we must depend if our industry is to be revived. Depression is relieved by increased immigration." In reply, it might be said that the immigration of recent years is not of the right quality. In the fiscal year, 1920, of the 430,000 aliens coming to this country, only 12,190 or 2.8 per cent. were farmers, and 15,257 or 3.5 per cent. were farm laborers. The rest, for the most part, flocked to the cities. They were the "human wreckage of the war," largely.

Our problem today in regard to immigration, is to preserve the true American spirit of the fathers who built this government and laid well the foundation of its institutions. We can most effectively accomplish this result by closing the door to dangerous influences and giving us time to teach Americanism and loyalty to those already here.

Against the charges that the three per cent. act is harsh, it is pertinent to call attention to the fact that many other countries have been compelled to enact strong, sharp and restrictive immigrant laws. Great Britain has new restrictive immigration laws, and an immigrant may not enter Great Britain without permission, and may be deported. France allows aliens in transit fifteen days within her borders, and then must move on unless they can show good reason for remaining. Canada has the "money-in-pocket" law in addition to all her other immigration laws, which are similar to ours. Argentine Republic, Brazil, Australia, and other

countries have strong laws restricting immigration, some requiring the literacy test.

Japanese immigration presents a situation of special interest. Mr. V. S. McClatchy, representing the Japanese Exclusion League of California testified before the House Committee on Immigration and Naturalization in December, 1921. He said, in substance, that in 1906, Japan made a protest against Japanese exclusion, and in 1907 secured a "gentleman's agreement" which was not put into operation until July, 1908. During that period of less than two years, 20,000 Japanese entered California, nearly all laborers; and 26,000 entered Hawaii. The Japanese population of continental United States since 1906 has trebled. The Japanese population has quadrupled. There are 100,000 Japanese in California today.

Representative Julius Kahn of California, in a speech in the House (page 123, Vol. 60, part 1) has outlined well the story of Japanese exclusion from the point of view of the Californian. He says: "In 1907 President Roosevelt undertook to settle the differences between our country and Japan by what is known as the 'gentleman's agreement.' Briefly stated, the purpose of that agreement is to prevent Japanese laborers from coming from our insular possessions to the mainland of the United States; and to limit materially the total number of Japanese laborers who might enter our ports. The Japanese government agreed to give no passport to Japanese laborers, except the wives, parents or children of those already here, to come to the mainland of the United States. For the first two years after the gentleman's agreement had gone into effect, the number of Japanese landing in the ports of the United States decreased materially. In 1909 only 1,500 in round numbers, entered this country. But

soon thereafter the number again began to increase enormously. The agreement was violated, in spirit, and gave rise to grave apprehension as to its efficacy. The 'picture bride' incident increased the number of Japanese women in the United States. From the moment a Japanese lands in the United States he furnishes his government with information as to the Japanese population in America. This confirms the charge made by Californians in the matter of non-assimilability. . . Are the Japanese trying to bring about the world-old conflict between the white races and the yellow and brown races? It is a question which statesmen of all liberty-loving, democratic nations and peoples will do well to study and bear in mind constantly."

America is for Americans. Those who do not value American institutions and are not appreciative of American advantages, have no claim on the hospitality of the Nation. There is ample room for thrifty, upright, industrious and well-intentioned foreigners who desire to contribute to the welfare of the country. There is no room for the alien who is obsessed with foreign ideas and institutions, and who undertakes to foist them upon this country.

But our danger lies not wholly at the door of the alien; it lies at the door of the so-called American who has lost his pure Americanism, and seeks to dilute his citizenship with so-called internationalism in the name of human brotherhood. We must re-Americanize many of our own citizens as well as Americanize the alien. If America is to be saved from the evil effects of foreign influence, materially and spiritually, both citizen and alien must be taught to lift their eyes unto the hills from whence cometh help.

CHAPTER V

What is Sovereignty?

A CONTRIBUTOR to a recent magazine seeks to break down the idea of sovereignty as a necessary adjunct to national safety. He argues that national sovereignty has steadily declined in the United States, and today is not of sufficient importance to deter the United States from entering a League or Association of nations, even if sovereignty is surrendered.

The writer's argument is ingenious, but neither accurate nor conclusive. Individual sovereignty is a part of the inalienable rights of man recited in the Declaration of Independence — life, liberty and the pursuit of happiness; and by liberty is meant always liberty conscious of the rights of others; for rights accompanying individual sovereignty have corresponding individual obligations. No individual surrenders sovereignty over himself, his life, his liberty and happiness, save for the commission of some crime. Individual sovereignty existed before governments or political organizations. The latter institutions merely organized that sovereignty into a social machine with many parts. Individual sovereignty never developed; it existed always and is changeless. When we speak of sovereignty we mean power and authority. When we speak of liberty we mean rights.

A trained police force is not to check those who abuse sovereignty, but to restrain those who abuse liberty. Individual sovereignty is not the right to do "as one dadburn pleases," but to be master over one's self. Individual liberty

is the right to act freely so long as the rights of others are not infringed.

God enjoins man to society; society enjoins him to government. This is the origin and development of national sovereignty. It is flippant and childish to say that "some royal personage . . . discovered in the principle of national sovereignty a most effective substitute for that of the individual, and so was able to divert the wrath of the more aggressively-loving of his subjects from himself to his neighbors beyond the borders . . . Thus did the great and beneficial principle of national sovereignty become the national virtue."

Civilization has progressed along national lines. The only lasting contribution of ancient empires to the world's progress, was their national spirit. All those empires declined and fell when nationalism gave way to individualism. The death of the Roman Empire was followed by the first attempt at national boundaries and the creation of modern nations. It was the natural social development of mankind. Mountains, rivers and lakes all formed natural boundaries, while language and climate seemed to indicate that the divine plan was separation into nations.

While historians record in large letters the deeds of outstanding heroes such as Alexander, Caesar, Frederick the Great and Napoleon; they were not the real architects of civilization, nor the constructive contributors to national sovereignty. Empire builders are conquerers; and the empires of old were far removed from modern nations and the modern national spirit.

National sovereignty, with national boundary lines, did not reach even an approximate stage of development until the middle of the seventeenth century. During the last three centuries national sovereignty has not declined. On the con-

trary it has advanced and waxed strong, until it has become the mainspring of human activity, the inspiration of much that is noblest in man. It stirs the heart of the patriot, moves genius to poetry and song, and creates the national soul.

National sovereignty has not declined because of the "vicious practice of treaty-making." Nor does a treaty necessarily imply "a surrender of national sovereignty." On the contrary, a treaty may (as many have) increase and extend national sovereignty. The treaty with France by which the United States acquired Louisiana; the treaty with Mexico whereby we acquired California; the treaty of Paris whereby we acquired the Philippines and Porto Rico, all extended the national sovereignty of the United States. Treaties settling boundaries establish national sovereignty more clearly and more firmly. Commercial treaties do not affect sovereignty at all. The national sovereignty of the United States is as extensive, as potent, and as complete now as it has been ever. No part of it has been surrendered thus far. Is there danger of its being surrendered in part even, some time in the future? Will internationalism clip the wings of national sovereignty?

That national spirit and national sovereignty is still the controlling factor in international affairs is clearly shown by the situation that developed at the Versailles Peace Conference. Italy withdrew because she could not have Fiume. China was dissatisfied because Japan's national claims were granted. France refused to enter any League or Association that did not adequately protect her national borders and her life against another possible attack from Germany. Belgium was dissatisfied because her national ambitions were not satisfied, because her national aspirations were not fully recognized. Poland was disgruntled if she could not get Danzig. Thus the ideals of international peace through an association

of nations gave way to national ambitions, on the very threshhold of the structure.

Notwithstanding the bad repute into which some of the European diplomats fell in the first two centuries of the growth of national sovereignty (from 1650 to 1850), the fact remains that many diplomats of the nineteenth century were men of high character, lofty purposes and honest natures. America set the pace of the new diplomacy with Franklin, Jay, Jefferson, Monroe, Lowell and Hay in the lead. Surely it can not be said of these men that "the most successful diplomat was always the one who could lie with the straightest face and run the least risk of being caught."

To treat the Federal Constitution as a "famous treaty" in which "the thirteen sovereign and independent states of America in 1787 . . . adopted the Constitution of the United States" is a gross violation of history and a mis-statement of facts. As a support to the idea that all treaties involve "the consequent surrender of at least some measure of sovereignty in every treaty," the circumstances surrounding the adoption of the Federal Constitution are quoted. Such claims are driven out of court, after examination.

In the first place, the American colonies never enjoyed complete sovereignty. They were always subject to some common superior. First it was the King, then the Parliament of England, then the Revolutionary Congress. The states that succeeded the colonies never had complete sovereignty. They were subject to the superior sovereignty of the Confederation, then the Constitution. They had only qualified sovereignty as to each other. States are not sovereign and never have been. Neither are they nations. They are political communities, occupying separate territories, and possessing powers of self-government.

The people of the several states in 1787 had no power to enter into a treaty. The Confederation was a social agreement or contract between the peoples of the different states. It had sovereignty but no power from the people to enforce that sovereignty. The Federal Constitution derived its sovereignty solely from the people, not the states. The Declaration of Independence was an act of inherent sovereignty of the people. The Congresses of 1775 and 1776 exercised the sovereign power of the people. The Federal Constitution likewise imposed limitations on the states, but these limitations were the acts of the people in their sovereign power. Says one authority: "Sovereign power in our government belongs to the people, and the government of the United States and the governments of the several states are but the machinery for expounding or expressing the will of the sovereign power."

Thus it is seen clearly that the Federal Constitution was not a treaty, and by its adoption sovereignties were not "surrendered by the wholesale." The people simply transferred a portion of their sovereignty to the Federal Government, granting specific powers to it, and limiting some of the powers of the states. The Federal Constitution became the Supreme Law, and was the expression of the sovereignty of the people.

The growth of the national spirit is one of the characteristics of the American Republic. In this growth, the name of John Marshall figures most conspicuously; and to Marshall the nation owes the development of its national sovereignty. Of it he said: "It has made simpler and more natural every step in the development of the United States toward national greatness." In the famous Supreme Court case of McCulloch vs. Maryland, one of the earlier decisions giving form and

substance to national sovereignty, Chief Justice Marshall said: "The government of the Union, then, is emphatically and truly a government of the people. In form and substance it emanates from them. Its powers are granted by them, and are to be exercised directly on them, and for their benefit."

It is difficult to see how any intelligent student of economic or political history can soberly claim that the Federal Constitution was finally agreed to "because the thirteen different states allowed their greed for gain to overcome their patriotism; that Washington, Hamilton, Franklin, Madison, Jay and Marshall joined in the agreement or 'treaty' in anticipation of the personal ease and comfort . . . that would follow such a treaty, and that such agreement involved undignified surrender of sovereign rights."

The Federal Constitution gave the national government the power not only to tax but to collect; not only the form but the substance of sovereignty; not only authority but the power to enforce authority. Without such power the Constitution would have been a failure. As Washington said of the Confederation: "There should be somewhere a supreme power to regulate and govern the concerns of the confederated Republic." The Federal Constitution was given that supreme power. The people who alone possess that sovereignty, granted it. The people surrendered no part of their sovereignty.

The British-American convention of 1817 was not a surrender of any sovereignty by the United States, nor the people thereof. It was not "an ignominious surrender to the British lion." Nor is it an argument in favor of naval disarmament, no American navy. As well might we say that because no policemen are needed in and about Broadway tabernacle in

New York City, none are needed down on the Bowery or in any other undesirable district.

It is seen clearly that throughout the development of the national spirit and national sovereignty, the United States, or the people thereof, have never surrendered national sovereignty. The glory of our Republic is written in its marvelous story of human uplift, national progress and spiritual well-being. The cynic says there has been no spiritual progress. On the contrary, it is manifest in many ways, and conspicuously evident in the sacrifices incident to the world war. The manhood, the wealth of the Republic, its resources, its opportunities, its achievements, all go back to the national spirit and the national sovereignty built into the structure by the wise fathers whose deeds live after them.

It is no argument in favor of a League or Association of nations, that the United States hitherto has surrendered some of its sovereignty, and can do it again. The assumption is not true; and the statement is an admission that such a covenant will surrender some of our national sovereignty. With the admission in mind, it behooves us to examine any proposed covenant and ascertain wherein the United States will, if a signer thereof, surrender any portion of its sovereignty.

One of the main objections raised against any International Covenant is that it will surrender the Monroe Doctrine.[1] All efforts to conceal this disaster have failed thus far. A Paris correspondent of the New York Times, in its issue of April 30, 1919, said: "It is declared that in so far as the Monroe Doctrine is concerned, it can not be invoked to limit action of an International League or Association, which has world-wide application." What does that mean but a subordination of the Monroe Doctrine to a League or Association of

[1] See chapter on "The Monroe Doctrine," pp. 156-164.

Nations? An attempt to substitute international sovereignty for national sovereignty? That means a revolution of our form of government; and to be legal must require an amendment of the Federal Constitution. Are the people ready for that?

A radical change from nationalism to internationalism will mark the beginning of the breaking down of national boundaries, of national traditions and national aspirations. It will be a long step toward world democracy or international socialism. National sovereignty indeed, will decline. Are the people prepared for this?

From present indications, the Republic of the United States has reached the parting of the ways. On the one hand is the tried road of nationalism, with its sign posts, its warnings, its experiences, its triumphs. On the other is the unknown sea of internationalism, with its storms and tempests, its rocks and shoals. The sovereignty of the people is hanging in the balance.

CHAPTER VI

Economic Problems

THE economic problems of America are not profit and loss wholly, nor of money entirely. They are of spiritual uplift, touching the hearts and souls of one hundred and ten million human beings. Economics are mere figures and formulas no longer. Numerical and algebraic signs, wages, exports and imports and balance of trade are mere symbols of the soul life behind. Interpreted properly, they mean a rise or fall in the level of human happiness, human affections and human aspirations.

The laws of economics are no more inexorable than the laws of spiritual force. When we talk about the law of supply and demand now, we penetrate behind the scene and observe a corresponding law affecting spiritual life; that is, supply and demand mean nothing until we translate them into terms of permanency. Supply and demand operate temporarily; their effect on real life is not permanent. Between nations, a favorable balance of trade has no real significance until translated into permanent terms measured by soul life. To America, all economic laws are nebulous, until tested by the inexorable laws of American spiritual being; and real American life has endured because of its approach to the more permanent life of spiritual things, which never perish.

What are America's economic problems? We answer-off-hand: Payment of the national debt, a balancing of budget, employment of our wage earners, taxes and trade.

The same problems arise in other countries. But why do they present themselves? Because human affairs have been measured by the old material yard-stick and the same old material scales. For years, these economic problems have been beating against capitol hill and the great dome, amid a glamour of patriotism and hurricane of talk. Congress is confused, executives are blinded, often judges are losing their bearings, because all these phases of our economic problems are approached through some district or state, through politics, through a desire to be re-elected, through personal interest. America is worthy of better and higher motives, is entitled to a public service and a national conscience that visions these economic problems in terms of soul life, that manifests itself in better living conditions, more endurable existence, more sunshine and less shadow.

The debt of the nation is colossal, due to the war and the extravagance of war fever, both personal and national. There is only one way to pay a debt, and that is by work, production of wealth, saving, economy and self-sacrifice. The national budget can be balanced only by keeping expenses within receipts. Our wage-earners can be employed only when confidence is restored, capital made active and industries set in motion. Taxes can be lowered only by reducing the public expenses. Trade, both domestic and foreign can be restored and maintained at a normal level only by increasing the purchasing power of our own people. Our economic relations are reciprocal among ourselves and with foreign countries.

While it is true that we can not sell unless we buy, likewise it is equally true that we cannot buy unless we sell. Let us look at these questions not from a material point of view, but from a broad and permanent point of view,

eliminating everything that does not contribute to the permanent well-being of the whole. Everything in a political-social organization we call government, is uneconomic and of little permanent value, that does not contribute to moral and spiritual advance. A debt means depression, mental and physical, but if it stimulates activity and thrift and self-sacrifice, it may contribute to the moral and spiritual welfare of a people or nation. A budget is justified only as it promotes economy and the discipline of moral law.

Unemployment breeds discontent, and distrust encourages revolution. Since 1917 unemployment has been a cancer eating into the vitals of all industrial nations. Great Britain has been compelled to adopt unemployment insurance or protection, to avoid what threatened to be widespread disorder. A national convention was held in Washington not many months ago, to discuss the problem of unemployment and devise means of establishing a cure.

Two programs have been offered to cure this chronic disease due to war conditions—one a restoration of what is known as an adequate protective tariff, the other an extension of foreign trade and foreign markets. Reduction of unemployment is promised under either program. Since the peak of war and post-war prosperity, the American people have been divided more than ever, into two schools of economic thought, the one believing that, notwithstanding the war, industrial prosperity cannot be restored until some method is devised of reducing competition in the American markets between American and similar foreign merchandise. It is urged that American wage-earners are out of employment largely because the American people cannot absorb between two and three billion dollars worth of foreign competitive merchandise in one year, and at the same time

consume or even do justice to similar American merchandise. They demand adequate protection, not to increase the cost of living but to make living in America more endurable for the average wage-earner. This is a moral and spiritual movement, since it affects the permanent welfare of millions of wage-earners and tends to reduce poverty, crime and immorality. It is noticeable that nearly all industrial countries of the world have pursued this plan of home welfare first. Great Britain, France, Spain, Australia, Canada and Japan lead in this program; and is it not rather singular that so many Americans, looking out over the industrial world and viewing the present tendency of nations, fail to interpret it as a challenge to American nationalism, American welfare and spiritual being?

On the other hand, it is urged that the extension of our foreign markets, the building up of our foreign trade, even at the sacrifice of American markets and American industries, is the only solution of these pressing economic problems. It is urged that world conditions have changed, that we are a creditor nation, that we must buy more from abroad if we are to sell more. It is proposed to "educate the people" into the idea that the United States is not an isolated country, and can not prosper unless it trades liberally with other countries. It is urged that the United States cannot collect its large debts from Europe without accepting European merchandise in equivalent quantities, whether competitive or not.

A struggle between these two schools of economic thought is here; and one of the big tasks of Congress and the country is the adjustment of these powerful forces. The cause of this difference of opinion is fundamental, and lies in self-interest or "the point of view." It is perfectly nat-

ural for any business man to pursue a policy or to urge legislation that will promote his own interests. The pity is that legislators turn their ears to a district or State, and do not lift their eyes to the hills. President Harding says: "Tardy as we are, it will be safer to hold our markets secure, and build thereon for our trade with the world. . . . It is not to be argued that we need destroy ourselves to be helpful to others." These two opposing schools of thought hitherto, have found expression in the two leading political parties. Unless all signs fail, they have gone beyond these political parties, dividing both in no small measure. The abiding principles may witness a new political alignment.

Foreign trade and commerce is an exceedingly important department of the government; but should it be advanced at the expense of domestic trade, commerce and prosperity? Obviously this increased attention to our export trade and to foreign markets is due to the rapid decline of our exports since 1921. A five-year near-monopoly of export trade was followed by a reaction and readjustment. The boom of the war period reached its climax in 1920, when the total domestic and foreign exports of merchandise reached the enormous total value of $8,108,000,000—nearly five times the total exports of a decade previous. The exports of 1921 dropped to a little over $5,500,000,000—nearly twice the figure of 1913-1914 before the war.

The causes of the decline are stated to be lower prices, the collapse of war inflation and the decline of demand in Europe. Whatever the causes, there is a wide difference of opinion as to the remedy. On the one hand it is said that "a discouraging attitude, both of ignorance and indifference, persists among our people. It is not realized to what a large extent our domestic business is dependent upon our foreign

business. It is not only important from the standpoint of the manufacturers, but also from the viewpoint of thousands of American workmen who are engaged in industry and who have a demand for the products of the farm." On the other hand it is said by the farmers that "the farmers of the United States are convinced that their prosperity depends upon their ability to sell in the American market, which is their chief market. Farmers are no longer misled by the fiction of the international bankers and importers that their prosperity depends upon foreign markets which take less than ten per cent. of everything they produce."

Obviously if the principle of American protection was sound before the world war, it is sound now. Whatever changes the world war may have wrought, they have not affected and can not affect the fundamental principle. As well might it be said that the world war demonstrated the uselessness of armies and navies and weapons of defense. The war did not change human nature or obviate the necessity of preparedness and national defense, both military and industrial.

While it is true that "no country produces all it needs for the comfort and well-being of its inhabitants," and "for what it imports every country tries to pay for, as far as possible, by selling its own products abroad;" it is also true that every country throughout the centuries has endeavored by its own genius and effort to narrow the gap between what it produces and what it can produce; to minimize its dependence upon any other country. Practically the only limitation to this persistent effort has been climate and natural resources. Diversification promotes national growth; independence promotes strength and vitality. All

promote the spiritual and moral side of life by making the struggle for existence less oppressive and submerging.

Nor does the American principle of adequate protection check foreign trade. America's foreign trade grew steadily between 1897 and 1912 under a continuous and adequate protection. Foreign trade between 1914 and 1919 was abnormal, due to the world war. Its decline since 1919-1920 was due to readjustment and deflation; yet the volume of our foreign commerce is at the pre-war level approximately.

It must not be forgotten that a nation's economic and industrial level is determined, not by what it sells in foreign markets, but by what it consumes at home. In other words, the consuming power of our own people measures their material and consequently their spiritual and moral level. The broader the field of competition and the larger the number of competitive units, the lower will be the tendency of domestic living conditions. This is the essence of national protection; and our economic problems should be approached by that avenue and measured by that standard.

These opposing views constitute what might be called the point of divergence in Congress and among economic groups. Manifestly they indicate an approaching struggle which may determine the direction of American economic thought and action for many years. In this struggle is involved the whole problem of tariff and economic legislation. While the details may be intricate and puzzling, often leading to confusion of thought, the underlying principles are clear and unmistakable.

The problem of unemployment, of taxes, of budgets and economy, are wrapped up in one tremendous problem of national welfare. How to attain the largest degree of national welfare is a matter of difference of opinion

altogether too often; yet the desire to reach that goal is the aspiration of every public official who ever sat beneath the dome of the capital or felt the inspiration of great souls still living within the halls of legislation. Statesmen of today, leaders of public thought, can commune with these great souls only by lifting their eyes unto the hills. It can be done; it is entirely practical and will bring desirable results.

What we call the American standard of living cannot be weighed in common scales or measured by an ordinary yard-stick; it is a part of life itself and manifests itself in human happiness, contentment, satisfaction and growth of soul. If these spiritual attributes are absent or submerged, there will be no American standard of living. The whole plan and structure of our scheme of government is to promote the general welfare; and the general welfare means a moral and spiritual level making life more worth while. True Americans acquire the habit of lifting their eyes unto the hills. The American spirit lives in the atmosphere of lofty aspirations. It is America's hope.

CHAPTER VII

Versailles and Internationalism

THE Treaty of Versailles was an invitation to abandon nationalism and enter into the dangerous field of internationalism. It was fortunate that the United States rejected that invitation and made a separate peace with Germany and Austria. Every outstanding event of magnitude has demonstrated the economic and political folly of Versailles, and the wisdom of Washington-Berlin. The economic consequences of Versailles constitute the riddle and puzzle of Europe; its political perils and almost insurmountable obstacles. After struggling with the problem of reparation; after admitting the harsh and impossible terms of Versailles, the statesmen of Europe met at Genoa to readjust Europe and correct the blunders of 1919. It dawned upon the leaders of Europe that human nature had not changed much since its baptism of fire and blood, that human selfishness submerged brotherly love and European peace, that no mere formula or treaty or stipulation would effect a cure so long as men and nations groveled in the mire of political and economic selfishness, and refused to lift their eyes unto the hills.

America rejected the Versailles Treaty primarily because its covenant was an indirect surrender of nationalism and sovereignty. The struggle over the International League was one of the most dramatic episodes in American history. The result was, to the majority, a second declaration of independence. The political perils involved in the proposed

experiment have been re-inforced in every European conference held since—at Paris, at Cannes and at Genoa. All of these conferences were economic ostensibly; but economics were submerged in politics. Politics wrecked the Genoa Conference, or at least robbed it of practical results. As a well known observer says, the Genoa Conference was a clinic and not a remedy or cure. Europe can not restore economic safety until politics are eliminated or subordinated. The trouble is not "too much nationalism" but too much personal glorification on the part of many of the leaders. The doctors at this European clinic had their eyes on the voters and re-election, not on the patient or the symptoms.

This is the trouble with too many of our own public servants and officials. The truth is that Europe, with its memories of wars and shifting boundaries and personal ambitions, can not think or act in any terms but hate and jealousy. That is not due to an excess of, but rather a lack of, genuine and wholesome nationalism and patriotism. Most Americans concede that it was an act of wisdom for the United States to keep out of the political quarrels of Europe. The world is not ripe for an international state where all may live in peace and harmony and establish a heaven on earth. That time will not be hastened by legislation or human covenants; it never will come until there is a regeneration of the human heart and an elimination of human greed and selfishness.

The late Senator Knox of Pennsylvania was one of the first to point out the perils of Versailles and the Covenant contained therein. In his illuminating speech of March 1, 1919, in the Senate, Senator Knox said: "It (the Covenant) threatens our life in respect of all those matters in which our sovereignty is impaired, because when sovereignty goes,

life as a nation goes. Independence goes when our conduct is dictated by others, when our continued existence depends upon the will of others, when we are no longer able to avail ourselves of our wonted means of defense, actual or by anticipation. It was Thomas Jefferson who said: 'Our first and fundamental maxim should be never to entangle ourselves in the broils of Europe; our second, never to suffer Europe to intermeddle with cis-Atlantic affairs.'" Furthermore the late Senator from Pennsylvania pointed out the economic hardships of the Versailles Treaty, and the peril nay the impossibility of attempting its enforcement. These words spoken in 1919 penetrated the future accurately. The harsh economic terms of the compact of 1918-19 have turned out to be one of the powerful factors retarding peace and enthroning hate.

Back of this world-wide problem and its proper solution, is the historic attitude of America and the correct interpretation of great economic forces. For one hundred and thirty-three years America has been at peace with the outside world save on three occasions—in 1812, in 1898 and 1917. These three epochs are clothed with righteous defense and human freedom. They had back of them great ideals such as freedom and justice. No one of these periods save the last, altered in the slightest degree America's attitude toward the remainder of the world or our determination to stand erect and independent. This was the spiritual heritage from our fathers and mothers, unchanged by wealth, riches or power.

Often it is said that the short war of 1898 for the first time hurled America out into space and compelled it to be a world power. Not so. America was a world power long before 1898, and made its influence felt in the capitals of

the whole civilized world. Adherence to our fundamental ideals of independence and nationality made it possible for us to exercise our power and defend our rights. Until 1916 it was a sentiment deep rooted in American life, that a nation must be prepared for defense, for war if need be; and that sentiment was a powerful contributing factor in the maintenance of peace.

Since the close of the world war, a new school of political and economic thought has appeared, undertaking to submerge our traditions and ideals on the ground, forsooth, that the war has altered our situation as a nation, and made the whole civilized world a social, political and economic unit. Starting with this assumption the direct conclusion is that America must be a part of this unit, abolish armies and navies, raze our forts and defenses, destroy our guns, remove all economic barriers or protective tariffs, and live as one human family under a strict application of the golden rule and the sermon on the mount. Nationalism, it is said, must give way to internationalism, the stars and stripes to the colors of the world covenant. A beautiful dream; but how impracticable and perilous!

What is this internationalism about which so much is spoken and written? It is an effort on the part of dreamers to establish a world government, a world brotherhood of man, on an ethical, political and economic foundation. It is said that nationalism breeds jealousy and war; that nationalism must give way if peace is to be established. Many attempts have been made in the world's history to establish peace among the nations by some human alliance or covenant. All have failed. America was at peace with the whole world for more than a century and a quarter, with two brief exceptions, yet was outside all world alliances or concerts

of nations. Specific treaties and contracts of amity mark the boundary lines of America's political relations with the outside world. Until 1919, the historic injunctions of the fathers were preserved inviolate.

Is America selfish and recreant when other nations of the world labor with potential disaster? Let our billions of treasure poured out as from perpetual fountains, our tens of thousands of young lives nobly sacrificed in a great war, answer. Has famine failed to appeal to us? Count the millions of tons of food we have sent to the starving. Have we been deaf to the cry of oppression? Count our young men in Cuba and in France.

Is America isolated economically? Has America ever been isolated? Look at the figures marking America's steady increase of foreign trade and commerce during the last fifteen years. In 1898 America's total exports and imports were valued at $1,847,551,948. In 1912 (two years before the world war) America's total exports and imports were $3,857,587,343. From 1914 to 1918 (the war period) the total exports and imports increased from $4,258,504,805 to $8,865,366,774. This increase was due to excessive war demands. In 1920 the total exports and imports rose to $13,506,497,797—a high level due to both the after effects of the war and the monetary inflation of prices. In 1921 the total value of exports and imports dropped to $6,994,000,000. During the first eight months of the fiscal year ending June 30, 1922, the total value of exports and imports of merchandise was $4,101,000,000.[1]

Interpreted, these figures mean that after 1898 America's trade with the world increased steadily and normally

[1] During the fiscal year ending June 30, 1922, the total exports and imports were valued at $6,379,000,000.

until 1912. The abnormal increase in foreign trade between 1914 and 1920 was due entirely to the war and post-war conditions and to inflation of currency and consequent high prices in inflated currency. America's foreign commerce now has reached the pre-war level approximately. The level of the war and post-war period will not and cannot be reached again for many decades. However, the story of America's foreign trade and commerce refutes the charge that America is or has been isolated and that it must enter world economic affairs by opening the home markets more freely and liberally to foreign merchandise, and by relying upon foreign more than home markets for business.

Again it is claimed that the debt owed the United States from foreign countries cannot be paid unless America opens its doors and accepts foreign goods and merchandise in payment of these obligations. It is estimated that during the period from 1915 to 1922, foreign loans floated in this country through American bankers aggregated about $5,000,000,000. It is estimated that $4,000,000,000 of additional American capital have been invested in foreign securities since 1920, making a total of about $9,000,000,000. This is in addition to direct loans from the United States government to the Allies amounting (with interest) to about $11,000,000,000. During this period (1915 to 1922) it is estimated that about $45,500,000,000 in American securities were put out by federal, state and local governments and private institutions. Of this amount about $16,000,000,000, it is estimated, went to Europe. Thus since 1915, about $36,000,000,000 of American capital have been invested in foreign countries and securities, while only about $29,500,000,000 of American capital have been invested in American railroads, traction companies and private institutions combined.

Graphically stated—$36,000,000,000 to foreign countries and industries and $29,500,000,000 to American institutions and industries, or $6,500,000,000 in favor of foreign countries.

Interpreted, these figures mean that America is not selfish, not isolated, but more generous to foreigners than to Americans. The time has come when international enthusiasts must answer the question: How far can America export capital without seriously affecting domestic industry and prosperity? Will Europe gain in the long run if American resources and capital are impaired? These are some of the questions involved in the doctrine of economic internationalism and the "open door."

The American people desire to help revive Europe industrially and economically to the utmost, consistent with American welfare; but why help foreign industries at the expense of American industries? Why give employment to European labor while America's unemployed walk the streets and suffer?

Having demonstrated that the United States does not occupy a position of "splendid isolation" so far as trade and commerce and humanity are concerned, the question arises: What are our principal exports? Cotton unmanufactured, led the list in 1920 and also in 1921, comprising about 12 per cent. Next comes wheat comprising about 9 or 10 per cent. Then follows coal constituting about 4 or 5 per cent. Then come coke, wheat flour, lard, illuminating oil, corn, lubricating oil, copper, automobiles and tobacco. The greatest decrease in exports from 1920 to 1921 occurred in manufactures for further use in manufacturing, the drop being more than 58 per cent. In exports, agricultural and food products lead, with metals and metal products, textiles, chemicals and tobacco following in order. Great Britain and

Canada are our two best foreign markets, Germany, Japan, France, Mexico, and Italy following in order. Germany occupied seventh place in 1920, and third place in 1921,—so far as our customers are concerned.

Imports decreased 40 per cent in 1921 as compared with 1920, amounting to $3,654,000,000 in 1921.[1] Our chief imports are—raw silk constituting 10½ per cent; cane sugar between 9 and 10 per cent; coffee between 5 and 6 per cent; hides and skins, crude petroleum, wool, tobacco, lumber and wheat. By industries, imports ranked in this order in 1921: Food and kindred products, textiles, chemicals, metals and leather. While values declined, quantities increased in many cases. Our chief sources of imports are: Canada, Japan, Cuba, Great Britain, France, Mexico, China and Germany, in the order named.

The relative importance of domestic and foreign commerce has a powerful bearing on the relative importance of legislation to promote domestic or foreign trade. According to official figures in 1912 slightly more than 64 per cent of our cotton was exported, 12.8 per cent of our wheat, 1.67 per cent of our corn, and 4 per cent of our bituminous coal. In 1919, a little more than 56 per cent of our cotton, 31 per cent of our wheat, and less than one per cent of our coal was exported. The census of 1920 shows that the percentage of exports of total domestic production ranges from 59.3 in the case of motor-cycles, 58 per cent in the case of cotton, and 53 per cent in the case of rice down to 6-10ths of one per cent in the case of corn. Only 23½ per cent of our wheat and 14.7 per cent of our iron and steel products, 5 per cent of our lumber and 20 per cent of our refined sugar,

[1] In 1922 (fiscal year) total imports of merchandise were valued at $2,608,000,000.

was exported in 1920, according to the last census. Interpreted, these figures mean that outside of a very few special articles of domestic production, the great market for American products is in the United States, that is, the home market.

Foreign trade is desirable, important, yea essential; but it is a mistake to promote foreign trade at the sacrifice of domestic trade, to broaden foreign markets by opening the home markets to unfair competition. Does America's industrial prosperity depend more upon foreign rehabilitation than upon domestic recovery? Must America invest more billions in European securities, neglect its own industrial interests and open wide the door of America's markets to Europe and other foreign countries? If this is the sort of internationalism desired, it is easy to see the end of the road for America, economically and industrially.

CHAPTER VIII

A Creditor Nation and Liquidation

A FISCAL program can not be determined by the phrase "creditor nation" or "debtor nation," for the reason that those phrases are not positive and definite. A nation can not be a creditor nation" or a "debtor nation" wholly for the same reason that an individual can not be a creditor or debtor wholly. The "creditor nation" theory is invented by those opposed to what is known as the American principle of protection. It is a variation of the ancient and long-exploded theory that trade between nations is nothing but barter.

From the figures covering the total credit and debit transactions of the United States between July 1, 1914, and July 1, 1920, six fiscal years, the United States was a creditor nation to the extent of about $8,000,000,000 — nominally. But a creditor nation to whom? A creditor to the rest of the world. Yet during these six years, this country was a creditor nation to Europe and North America only, but a debtor nation to South America, Asia-Oceanaca and Africa, if by "creditor nation" is meant an excess of exports over imports. The United States experienced an excess of exports over imports every year from 1874 to 1920, with the exception of 1875, 1888 and 1889; nevertheless it was a creditor nation to some nations only, a debtor nation to others.

From the books of the United States Treasury under date of September 1921, we learn that under the Liberty Bond acts, the advances to foreign governments up to June 23, 1921 were $9,597,518,741. Of this amount, Great Britain

is charged with $4,277,000,000; France with $2,997,477,800; and Italy with $1,648,034,050. Interest charges amount to $922,550,143, increased somewhat since June, 1921. The total advances including interest are about $11,000,000,000. It appears that representatives of the Wilson administration tacitly agreed to postpone payment of the interest charges for a period until the debt could be refunded. The Harding administration has secured the creation of a liquidating debt commission with power to refund the debts due this country.[1]

There are two features of the foreign debt adjustment or liquidation problem — one the refunding into obligations more desirable than sight "I. O. U.'s," the other the time and manner of collecting the debt. The former is a mere matter of administration; the latter touches the entire fiscal and commercial program of the United States, the tariff, and trade with foreign countries.

Nearly all the advances made by the United States during the war, were credits for American merchandise bought and paid for by the United States government, and shipped abroad. The money remained in the United States, to a very large degree, and gave rise to the "war prosperity," fictitious in a large degree and mischievous in a larger degree. From its consequences we are suffering industrially and financially.

These advances were loans from the American people to the American government, later spent by the government for munitions of war, supplies, food etc., to be sent abroad. These transactions constituted the great bulk of the "marvelous

[1] The Foreign Debt Funding Commission, created in December, 1921, is authorized to fund the foreign war debt due the United States into obligations which must mature not later than June 15, 1947; and bearing interest not less than five per cent. No part of either principal or interest can be canceled. The bonds of one government can not be accepted in payment of the debts of another government. The authority of the Commission expires in 1925.

increase in our exports'' from 1914 to 1918. To the millions advanced by the government were added some $9,000,000,000 in the shape of private credits and private investments in European securities between the armistice and 1922.

The American government assumed $11,000,000,000 owing to the American people, and gave the people government bonds therefor. American manufacturers of munitions and other articles, and growers of and speculators in food, received the bulk of the funds. In reality, this debt, whatever it may be, is owing to the millions of subscribers of Liberty and Victory bonds and other government obligations. The government acted as the fiscal agent of these people who advanced their past savings or pledged their future savings to loan the Allies. If the government refunds, it refunds for the holders of Liberty and Victory bonds. The vital question is this — What effect will a collection of the debts from Europe have upon (1) the holders of Liberty and Victory bonds, (2) the commerce of the country, (3) the industries and wage-earners of America.

The value of Liberty bonds depends entirely upon the solvency of the Treasury — its ability to tax sufficiently and wisely to meet all Treasury obligations and all government expenses. The ability of the government to raise revenue depends upon the ability of the American people and American industries to pay. Depressed industries, idle factories and mills, and unemployed people can not pay income or other taxes.

It is argued that the only way Europe can pay its debts is by shipments of merchandise — manufactured goods mostly — into the United States, whether competitive or not. If the debt Europe owes the United States is to be paid thus, every Liberty bond will be depressed and every citizen, man or

woman, who bought "until it hurt," will feel the hurt in a larger degree. Collection of debts in this manner will cripple the United States to an alarming degree, perhaps beyond recovery.

Every effort is now being made to hold up our foreign trade to the war level. Obviously this can not be done, is not being done; for that level was reached by exports bought on credit and in stress of war. It was abnormal, fictitious, and due largely to the excessive demand of Europe for munitions, war supplies and food. From 1914 to 1918 our exports were a positive menace, for they were based on war-destruction. The country suffered from excessive exports bought on credit; it is suffering today, and facing a serious problem in the adjustment of these exports.

This forced exportation has demoralized trade and the rate of exchange, and compelled Europe to pursue a financial policy resulting in currency depreciation and loss in international trade. Europe borrowed on a scale of monetary standard reasonably near par. She can not pay on a monetary standard depreciated from 75 to 90 per cent., without still further exhausting herself and lowering her purchasing power still more. If the United States should force payment with the dollars of the purchasing power of 1914 to 1916 and 1917, Europe would lose heavily, since a dollar of 1914 possessed many times the purchasing power of the dollar of 1922. Furthermore, such a procedure would depress foreign exchange still more; exports would depress foreign exchange still further and would decline correspondingly.

Our export trade to Europe in the future must depend upon Europe's ability to restore its credit, to deflate its currency and buy more normally. To demand billions of Europe or admit billions of dollars in European merchandise, in payment

of debts would not only cripple Europe, but cripple the United States also. Should Europe sell to the United States some $20,000,000,000 worth of merchandise to settle debts due this government and private investors in European securities, Europe would have little wealth to restore her credit currency equilibrium, or to sell to other countries for cash. Obviously this would tend to lower our exports to Europe.

How would this method of collecting European debts affect American industries? Right here readjustment or liquidation of European debts to the United States have a serious bearing on the fiscal and tariff program of the United States. If the debts can not be collected except by importing goods and merchandise from the debtor countries, the result will be disastrous to American industry. Great Britain and France are facing the same problem in their efforts to collect reparation from Germany. Germany shipped large quantities of coal to Great Britain and closed the British mines, bringing misery and want to the English miners. German manufactured goods have been accepted by Great Britain in part liquidation of the reparation debt, to the everlasting injury of England's industries and industrial population. France has suffered from the "reparation" payment of Germany in goods, most of them competitive. France has been compelled to take steps to stop the invasion.

What will be the fate of industrial America if debts amounting to $8,000,000,000 due from Great Britain, France and Italy alone, are collected by importing goods and merchandise from those countries to that amount? Eleven billion dollars worth of European merchandise flooding the American markets would paralyze our domestic industries, increase unemployment, reduce the ability of American wage-earners and institutions to pay taxes, threaten the Treasury

with bankruptcy and finally destroy our ability to produce for either domestic or foreign consumption.

It is impossible for the American people to import and consume imported merchandise in sufficient quantities to settle European debts due this country, and at the same time consume a like quantity of similar American goods and merchandise. America can not manufacture and produce what it needs, and at the same time consume an equal amount of competitive goods and merchandise. Such a program of liquidation would ruin the foreign commerce of America, close its mills and factories, and reduce America to economic and industrial serfdom.

A balance of trade against a nation is no explanation of its adverse rate of exchange in international trade. England's pound sterling has been and is below par (in American money) not because England buys from more than she sells to America, but because England's volume of credit money far outstripped its production of wealth. It is the same with France, Belgium, and more so in the case of Germany and Austria. A turn of international trade to the credit instead of the debit side of the ledger will not restore the rate of exchange unless accompanied by a deflation of credit currency and a corresponding increase in the production of wealth.

It is claimed by some that larger imports from Europe will remedy the unfavorable rate of exchange; that a more even trade balance will restore normal conditions. For many years prior to the world war, our balance of trade with Europe was against Europe, yet the rate of exchange did not vary much. If an adverse balance of trade affects rate of exchange, the pound sterling and the French franc, long before the war, should have declined steadily as measured in American dollars. For many years before the war, Canada's

balance of trade with the United States was against Canada, yet the Canadian dollar did not depreciate as it depreciated in 1915-1916. This demonstrates that international trade has nothing to do with the rate of exchange, and the United States can not aid in restoring the rate of exchange with England or any other European country, by buying more English goods and merchandise.

It is said that business and trade in America is dependent on the settlement of the reparation question in Europe and the settlement of the European debts to America. Is it not more dependent on the settlement of industrial problems here at home? The value of Liberty and Victory bonds depends upon the power of the wage-earners, industrial institutions and all corporations to pay large taxes. Idle men and women, closed factories, and railways with deficits in operation, can not contribute to the volume of government receipts.

The safety of the American Republic lies in the continued employment of wage-earners both on the farm and in the factory. The extent of our foreign commerce depends upon our own production of wealth.

The European debt owing the United States was one of America's contributions to the winning of the world war. Final agreement as to the size of the debt, its form and its ultimate payment, should be contingent upon the welfare of the United States, its great industries and its millions of wage-earners.

CHAPTER IX

The Philippines

WHAT is the problem of the Philippine Islands? What is the background? What are the essential elements and the respective claims? What bearing has the solution of this problem on the future of the United States?

Every one knows that the Philippines came into the possession of the United States as the result of the war to free Cuba from Spanish rule. With no primary intention of our own, war forced us into the geography of the far east, precipitated upon us a semi-colonial government and gave us a problem new and serious. Dewey's guns in Manila bay echoed in every state of the Union and made our pulses beat faster. The treaty of Paris closed the episode; and nearly eight million people, living on the largest of the group of 3,000 islands, comprising a total area of 115,026 miles, came under the United States government and the American flag. That was in 1898.

It is well known that many of our leading statesmen opposed keeping these islands, since they might be a great political and economic burden. Others, of more or less emotional nature, argued that "the flag should never come down whence one hoisted aloft." As time went on, public opinion divided and crept into politics. The presidental campaign of 1900 was fought out somewhat on the question of so-called "imperialism," or a colonial form of government. The election of that year fixed the future policy of the government toward

the Philippines for sixteen years at least; and the last months of 1900 and the first months of 1901 saw the United States firmly established there. As if reading the future and manifestly doubtful as to what policy would be best, President McKinley, while the ink on the Paris treaty was hardly dry, announced that "the Philippines are ours not to exploit, but to develop, to civilize, to educate, to train in the science of self-government. This is the path which we must follow or be recreant to a mighty trust committed to us."

The first period of American occupancy was from August 1898 to July 1901. A military governor administered law under the War Department. The conspicuous act was the suppression of an insurrection under Aguinaldo. A beginning was made in schools, in public health measures and public works. The second period was from July 1901 to October 1907, when the islands were governed by the Philippine Commission appointed by the President.

During this period Governors Taft and Wright wrought their wonderful work in establishing order, a judicial system and a currency system. The third period was between 1907 and 1918, when one-half of the legislative power (the lower house) was turned over to a body of elected Filipinos, known as the Philippine assembly, the commission being the upper house or senate. During this period a broad program of public works was laid down, railroads built, steamship lines put into operation and a university established. In 1918 about 72 per cent of the people employed in the public service was composed of Filipinos.

During the fourth period (from 1914 to 1921) the Filipinos were given a majority of the upper house, and Congress passed what is known as the Jones law of August 1916. Under it the Christian and civilized provinces were permitted to

elect a senate and a house, and the governor-general authorized to appoint representatives for the non-Christian portions of the islands, the legislature having legislative control over the whole archipelago. As a result, in 1921 only about four per cent of the people in the public service were Americans.

The so-called Jones law of 1916 contained this significant sentence: "Whereas it is, as it has always been, the purpose of the people of the United States to withdraw their sovereignty over the Philippine Islands and to recognize their independence as soon as a stable government can be established therein," etc. It will be recalled that Senator Clarke of Arkansas offered an amendment conferring complete and unqualified independence upon the Philippines in not less than two years and not more than four years from the date of the approval of the act.

A great political battle waged in the House around this amendment, which was rejected finally. In his address as permanent chairman of the Republican National convention in Chicago, June 8, 1916, Senator Harding (now President Harding) referred to the Clarke amendment as an effort of the administration (the Wilson administration) "to renounce its guardianship of a race of people, and leave them to walk alone when they had not been taught fully to creep." He objected to "hauling down the flag." For six years the bloodless battle between the friends of Philippine independence and continued American control has been waging, with no result as yet.

Since 1916 the Filipino people have progressed marvelously. The enrollment in the public schools is now 945,000, and the private schools 75,000; banks, railroads, hospitals and improved public roads have been built until it is conceded that the twenty-three years of American occupation is

extraordinary. In March 1921, Isauro Gabaldon, resident commissioner from the Philippine Islands to the United States, paid a tribute to America and Americans. He said: "America has truly treated the Filipino people as no other nation has ever treated an alien race in all the history of the ages. . . . . America's work in the Philippines in the interest of hygiene and public health is also monumental. . . . . In a sentence, you have shown us how to make our country a better place to live in. . . . . The Filipino people have a stable government today. It is anchored on the enduring bedrock of constitutional government — public opinion."

Since 1919 there has been established in Washington a press bureau promoting the cause of independence for the Philippine islands. A delegation of prominent Filipinos recently in the United States to labor for independence, brings the problem immediately before Congress and the American people. It is one of America's big problems. What will be the solution? It seems to hinge on the interpretation of the phrase "stable government" in the Jones law.

Have the Philippine islands a "stable government?" On the one hand, Former Resident Commissioner Gabaldon says it has. Resident Commissioner DeVeyra says: "For five years we have been practically independent." Manuel L. Quezon, president of the Philippine senate says: "For five years the government of the Philippines has been, in practically all respects, native. There has been established in the Philippines a stable government of and by the Filipinos." Sergio Osmena, speaker of the Philippine house of representatives, says: "In asking for the establishment of a stable government, Congress did not mean that we should really have a stable government, because such a government has been in existence in the Philippines since American occupation of

the islands; but to improve on the old one, to extend the powers already conferred upon the Filipinos."

This is one side of the shield. What is the other? March 20, 1921, President Harding addressed a letter to the Secretary of War, notifying him of the appointment of a commission, headed by General Leonard Wood and W. Cameron Forbes, to go to the Philippine islands to study the situation and ascertain if the Filipinos really have a "stable government." The Secretary of War gave instructions to the commission, reciting the claims of both sides and adding, "between these conflicting views you are to render judgment."

This commission has made its report. Here are the essential points: "The great bulk of the Christian Filipinos have a very natural desire for independence; most of them desire independence under the protection of the United States; a very small percentage desire immediate independnce, with separation from the United States; a very substantial element is opposed to independence, especially at this time. The Moros are a unit against independence and are united for continuance of American control, and, in case of separation of the Philippines from the United States, desire their portion of the islands to be retained as American territory, under American control. They want peace and security. These the Americans have given them.

"The Americans in the islands are practically a unit for the continuance of American control. We find there is a disquieting lack of confidence in the administration of justice, to an extent which constitutes a menace to the stability of the government. We find that the people are not organized economically nor from the standpoint of national defense to maintain an independent government.

"We feel that with all their many excellent qualities,

the experience of the past eight years, during which they have had practical autonomy, has not been such as to justify the people of the United States relinquishing supervision of the government of the Philippine islands, withdrawing their army and navy, and leaving the islands a prey to any powerful nation coveting their rich soil and potential commercial advantages.

"In conclusion, we are convinced that it would be a betrayal of the Filipino people, a misfortune to the American people, a distinct step backward in the path of progress, and a discreditable neglect of our national duty, were we to withdraw from the islands and terminate our relationship there without giving the Filipinos the best chance possible to have an orderly and permanently stable government."

What is the solution of the Philippine problem? What will Congress do when the question of Philippine independence comes to the front again? On the one hand is the tacit pledge of the United States to give the Filipinos independence. On the other hand is the conflicting testimony as to whether the Filipinos have a stable government and are capable of self-government. Will Congress take the evidence of the Filipinos themselves who are contending for independence, or the testimony of the Harding commission? Will the fundamental interpretation of the mission of the United States enter the problem and influence Congressional action? Will the doctrine of self-determination be potent? Will so-called imperialism be an issue again? These are interesting queries requiring more than ordinary wisdom and more than human aid, to answer correctly.

It is claimed by some that the recently confirmed four-power treaty may have an important bearing on the question of Philippine independence. It is even said that this treaty

may result in America's surrendering her Pacific possessions, perhaps altogether. If so, this may hasten Philippine independence. An active campaign has been inaugurated already, based on this hypothesis. It is argued that the four-power pact will protect the Philippines whether they are a part of the United States or not, and that there will be no further need of American protection.

In the event of the latter development, the United States may return soon to its former status before the war with Spain. Then may come a separation of the United States from any colonial policy whatever, called by some "the white man's burden." On the other hand, projection of the United States into world affairs may induce Congress to hold the Philippine islands for the welfare not only of the Filipinos, but the United States.

This is a problem of serious proportions. Which way shall America's course be directed? Shall America let the Philippines go or hold on to them? The problem must be met and solved soon. In its correct solution is involved the future welfare of the Republic. In it is involved the matter of armament and preparation for defense. It is hardly conceivable that the United States will be able forever to rely upon mere treaties and diplomatic agreements to protect outlying possessions, and to promote world trade and commerce in the face of keen competition. Will not the time come, if we adhere to the policy of colonial possessions, when disarmament will be perilous? Can the United States be a world power with far-distant possessions, and reduce its army to a minimum and scrap its navy?

CHAPTER X

Gold Standard and Foreign Exchange

"FINANCE can not and should not be disassociated from commerce, from which it sprang," says a critic of the gold standard and modern bankers. True; not only finance but the establishment of the gold standard sprang from commerce. Gold was selected as the world's monetary unit before nations and empires legalized it. It has stood the test of time and experience, and will remain as the standard until something better is offered.

"Bankers have made of finance a world apart, in that they deal in money and credit as values in themselves; values separate and distinct from their function of medium of exchange," repeats the critic. Bankers have done nothing of the sort. The world of trade and commerce has made gold the corner stone of finance, since a monetary unit must be not only a medium of exchange but a measure of value by which we ascertain price. Any system of finance must have a starting point or unit; and because finance deals with relative values, the unit must possess value in itself. It can not be a mere idea, a mental fancy. Finance deals with material things; and the instruments of finance must be measured by a unit possessing value in itself. This is why money, either in the form of gold, or credit money in the form of silver or paper bills of exchange or checks, is bought or sold like any other commodity. All represent capital, and facilitate the movement of capital. Viewed in this light, gold or

credit in its various forms, constitute an essential element in the production of more capital or wealth.

"The bankers ride commerce as they please," says the critic. Nothing of the sort. The banker facilitates savings and the accumulation of capital, and helps to substitute modern commerce for ancient barter. The world's vast business could not be conducted without the modern system of banks and bank credit; yet the bankers would starve without commerce. Commerce makes banks and bankers possible. The machinery of a locomotive is useless without the steam or the electricity to set in motion. Commerce is the steam or electricity; the machinery is the banker and the credit system. It is absurd to say that government is at the mercy of bankers. On the contrary, every bank in the country, outside of a few private institutions, is regulated, examined and largely controlled by either state or federal government.

It is argued that the United States has three billion dollars of the world's gold, and that "the chances are that gold can not be obtained in exchange for some form of credit money," therefore the gold standard is a myth. Not so. The gold standard does not mean a gold dollar for every dollar of token or credit money. It simply means that a certain number of grains of gold is a dollar, and all kinds of coin or paper instruments used as money, are measured by or referred to this unit. Or, to put it another way, all silver or paper money issued is kept at precisely the same purchasing power level as the purchasing power level of the gold unit or gold dollar. And as a matter of fact, gold in moderate quantities can be obtained by any depositor in any Reserve bank or trust company or savings bank.

"Finance adjusts the price of service and commodities," says the critic and reformer. It does nothing of the sort,

if by "finance" is meant bankers. Bankers can not adjust prices. What nonsense to say that the bankers adjusted and fixed prices, the level of wages and the high cost of living, during the world war! And yet this is the statement of the finance reformer of the 1922 variety.

The government has not "lost its inalienable right to govern and regulate the flow of money as a unit of measure." The government possesses just as much of that right as it ever did. If it did not exercise the power to regulate and limit the flow of money, there would now be a flood of irredeemable paper money as worthless as the German marks or Russian rubles. Liberty bonds were, and Treasury certificates are now, equally available for purchase by a private citizen, firm or business corporation, as by a bank. Banks simply facilitate the sale of these securities, since banks have more capital for investment than has a private individual; yet the bank's money belongs to private individuals largely, the bank being the custodian. During the world war, the government turned to the banks for assistance, just as it turned to big industrial institutions for assistance. The government could not create capital or wealth by printing paper notes, any more than it could manufacture automobiles or munitions of war by act of Congress.

Was gold unnecessary and useless during the world war? Is it useless today? It is asserted that "gold is acting as an international medium of value in contravention to the very principles upon which it is suffered to be based. As a result of this conflict, gold is no longer a commercial lubricant but a brake which has virtually locked the wheels of international business. Today there is no demand for gold. The world does not want it."

In other words, it is asserted that because the United

States has about one-third of the world's stock of gold, other nations have discarded the gold standard, and do not want gold. On the contrary, the paper nations of Europe are struggling to secure enough credit and enough gold to get back on their economic and financial feet. Gold flowed to this country to pay for war materials and food and clothing. Europe wants more capital from the United States, and it makes no difference whether it is gold or raw materials; both are capital. Furthermore, every dollar asked for will be equivalent to gold. A demand for capital is a demand for gold or its equivalent, since all American capital is on the gold basis.

Economists are not mystified by the "ease with which certain bankrupt Europeans are doing business. They are functioning on a basis of their own paper currency." Germany is near an economic abyss, and the world knows it. Already Germany is asking for an international loan, on a gold basis. It is impossible for any nation to prosper permanently by attempting to create capital and pay its debts by issuing irredeemable pieces of paper called money. Apparent prosperity exists within the confines of that country, but the end will come soon, unless the printing of paper money is stopped. The gold standard is not responsible for such an economic condition; but rather a violation of economic and financial laws which proclaim that a monetary unit of measure facilitating the creation and transfer of capital must have real and approximately stable value in itself.

This leads to a brief discussion of finance and commerce, and international trade. It is charged that the balance of trade in commodities, between the United States and European countries, is so much against Europe as to force gold to

the United States and practically demonetize gold in Europe, thus stopping international trade.

Precisely the same principles apply to international trade as to domestic trade. In both, barter has given way to instruments of credit, which speed up business and economize time and capital. An excess of exports over imports under all conditions, is not followed by a gold settlement unless it is cheaper to ship gold than to buy exchange. What is international exchange? It is a modern system by which traders of different nations discharge their debts to one another. It is no longer a simple shipment of gold to cover the excess of imports. During and since the world war, gold accumulated in the United States because the rate of exchange between European countries and the United States has been disturbed by inflation of currency and cheap paper money.

The "rate of exchange" means the relative value, for example, of an American gold dollar and an English pound or a German mark, or a French franc. A bill of exchange is a simple order from A (the shipper) to B (the banker) to pay C (the purchaser in England or elsewhere) a certain sum of money. It is a transfer of credit, just as an ordinary draft or check is a transfer of credit in domestic trade.

When there are more sellers in New York (for example) than buyers, there is an excess demand for bills of exchange, and the rate or charge goes up. If there is an excess of goods bought over goods sold, the demand for bills of exchange goes down. This is simply the operation of the law of supply and demand. The rate of exchange goes to a point where it is cheaper to ship gold. Because of the great volume of irredeemable paper currency in some countries, the currency of those countries dropped in value as compared with the American gold dollar, and the rate of exchange or cost of

a bill of exchange in foreign money went up — in some countries out of sight. Shipments of gold followed, as the only way to pay for American goods. The machinery of exchange was out of commission, due to a departure from the international gold standard.

There can be no permanent and reliable commerce between nations under modern methods, unless there is an international fixed unit of measure, possessing approximately unvarying value in itself. The entire machinery of foreign trade — bills of exchange, commercial bills, bankers' bills of exchange and cable transfers — is founded on the hypothesis that the international unit of measure is fixed approximately. Bills drawn on countries having irredeemable paper currency are venturesome and uncertain. That is why American exporters are shy about shipping to some countries, and why American investors are shy about investing in the securities of some foreign countries. Just now, everything is out of joint. Already the United States government and private parties and concerns, have invested about $20,000,000,000 in Europe, all on the accepted gold basis. It was American capital, the savings of the American people, on a gold basis. Whatever portion of this amount it paid back, should be paid back on the gold basis. It would be better for the United States to forgive the entire debt than to permit payments of money or capital to be made on a depreciated paper currency basis. The United States did not lend inflated values to Europe; it lent capital in the form of munitions, food and clothing, all at par of exchange, which was the gold basis.

It is argued that loans (in commodities) to Europe were made at par of exchange, therefore it is unjust to collect the debts on that basis. This is another illustration of the danger of irredeemable currency and a departure from the fixed

international monetary measure. Collection of the American debt on the basis of depreciated foreign currency and high exchange, would cheat the American creditors and place a premium on repudiation and cheap paper currency. Furthermore, such a procedure would hasten economic disaster in the debtor nation. If Germany or any other European country whose "exchange" is suffering from depreciated currency, desires to have its exchange restored and its economic trade relations with other countries resumed on a normal level, there must be a cessation of printing press money and a slow but steady return to a gold standard basis. Normal foreign trade between the United States and Germany or between the United States and any other country now on a variable and irredeemable paper currency, is impossible, under any other conditions than those stated above. A departure from the gold unit and another experiment with irredeemable paper money by the United States, would bring suffering and misery to the American people, and destroy what foreign trade there is.

It is charged that the international bankers depressed foreign exchange and scaled down European money as compared with the American dollar. They did nothing of the sort. These foreign units of measure, in gold, were scaled down because of vast volumes of government paper credit money, all irredeemable. International bankers could not have maintained the normal levels of foreign monetary units had they so desired. True, there has been speculation in foreign currency; but the probability is that the losses have been greater than the gains.

It is claimed that America can not sell commodities to Europe because a somewhat indistinct power "decrees that no such exchange shall take place without gold." There is

nothing in the world to prevent an exchange of American goods for foreign goods, provided the American wants to sell or exchange. The only thing retarding such a procedure is the lack of European credit, due to irredeemable paper currency or paper money.

Gold is not at a premium in the United States. It is at a premium in some European countries for the same reason that it was at a premium in the United States after the Civil War — too much paper credit money. Wheat and cotton have been "at a discount" and low in price, because of the loss of foreign credit, and the decline in the purchasing power of the people, not only in Europe but also in the United States. The price of wheat and cotton (in paper dollars) soared between 1915 and 1918, yet gold did not go to a premium.

Gold is subject to the law of supply and demand as a commodity; but it so happens that measuring time by long periods, it is seen that the world's supply has approximately kept up with the demand. It is the least variable of all commodities, hence the best standard or unit of measure. Some parts of Europe are without gold temporarily, in their domestic affairs; but they can not be restored to pre-war conditions in their international trade until they stop the issue of irredeemable paper currency, and get back to a gold basis. When the rate of exchange between the United States and European countries is restored to normal, trade with these countries will be resumed. Deflation of paper currency and a pledge to get back to the pre-war gold standard will do more than anything else to restore credit in Germany and other nearly bankrupt nations.

For nations to change the rate of exchange to fit existing conditions, would be to indorse repudiation, and place an undue burden on the millions of Americans who parted with

their capital on a certain basis, and expect a return on the same basis. Such an alteration in exchange practically would establish an irredeemable currency basis in the United States.

Discussion of foreign exchange and foreign trade brings us right back to the fundamental proposition of all trade, domestic or foreign — the necessity of having an approximately fixed unit of monetary measure. All the processes of business, of trade and commerce, revolve around this one absolute necessity. Foreign exchange facilitates rapid and safe transfer of credits and settlement of international business. Importers and exporters are not compelled to collect or pay bills through dealers in foreign exchange. They can ship the gold or buy foreign money, or merely exchange goods; but they find that bills of exchange are safer and cheaper in the end, and save time. So long as these transactions all go back to pre-war normal relations between the United States standard unit, the gold dollar, and European units measured in those dollars or the gold bullion, there is no cessation or interruption of business.

America's foreign trade, her exports to Europe, will not be restored to normal until some means have been found to re-establish the credit of European countries by a return to the gold standard. Irredeemable paper currency based on "the demands of the people" or on "prospective crops" or "human energy," destroys credit and interrupts trade and commerce.

Fundamentaly gold acts as a sort of arbiter of the relations of the other commodities with one another in the international market. The exchange market tends constantly to overcome movements away from this equilibrium and to give a uniform value to gold in all markets.

A well-known economist says: "Manifestly unfavorable

results to exchange arise from defects in the currency system of a country; for such defects do not usually carry their own cure by correction of exchange until a country has parted with all its standard money and severed its monetary system from the regulating influence of the interplay of supply and demand for gold throughout the world." This is precisely what has taken place in Germany and some other countries.

CHAPTER XI

Fatal Effects of Europe's Currency

NO BETTER object lesson could be offered in answer to the pleas of the 1922 financial reformers in favor of government paper money based on "faith and credit" and issued in any volume to "meet the public demand," than the situation in Europe today. Obviously almost all the whole economic and financial system of continental Europe has broken down, and that part of the world is on the verge of collapse. The huge debts of these countries and peoples, measured either in gold or in depreciated paper is taxing the skill and ingenuity of economists, financiers and premiers, until the peril of peace appears to be even greater than the peril of war. In words familiarly American, it is a condition not a theory that confronts Europe.

Nor is the impending disaster confined to Europe; it affects the whole civilized world, more or less. Its consequences are seen in the decline of the foreign trade of the United States, in continued unemployment, and the slow recovery of industrial America from the depressing conditions of 1920 and 1921. What is the remedy?

The "rate of exchange" between any two countries, for example the United States and France or Germany, is to exchange and international trade what a barometer is to the weather. The barometer does not make the weather fair or stormy; it is the prevailing weather that manifests itself in the barometer indications. The barometer indication is the result not the cause. So the rate of exchange is the

result not the cause, of international economic conditions. The cure must be applied, not to the rate of exchange, but to the causes back of the exchange. To do away with exchange will not touch the cause. The cause, in this instance, is the fiat paper currency in the countries of continental Europe, issued in such vast quantities as to make much of it worthless.

In discussing the economic effect of this depreciation of European currency and the consequent decline in the exchange value of European paper money, two factors must be kept in mind; first the domestic purchasing power of those currencies in the countries of issue, second the exchange value of those same currencies in world trade and commerce. For example, broadly speaking, the German mark today has about two or three times the purchasing power in Germany that it has in the markets of England or the United States. This leads to the superficial conclusion that Germany's system of depreciated paper currency is sound, as far as Germany is concerned, and that Germany is prosperous within itself, on a depreciated and irredeemable paper currency. But neither Germany nor any other civilized country can for any long period of time, live entirely within itself, pay its debts and resume its place among nations, with only a vast volume of irredeemable paper money back of its trade, commerce and obligations. No nation ever has done it; no nation ever will do it. The real test comes when a depreciated currency nation deals with countries on a sound financial basis. Sooner or later the sound currency nations will cease to trade with the depreciated currency nations, because the latter will lose their credit. It is precisely the same in dealings between individuals. A will trade with B and sell B goods on credit, just so long as

B's credit is good. But let B issue a large number of notes (and irredeemable paper currencies are nothing but notes) and the time will come surely when A will give B credit no longer. If Germany continues to do business by issuing more irredeemable government notes or paper money, the time will come when her credit with other nations will be gone. The fact that German marks will buy more in Germany than in other countries, does not alter the situation. It requires more day's work and more hours of labor in Germany to buy a meal or a suit of clothes than in England or the United States. Depreciated currency degrades labor because it depresses the value of human energy and increases the real cost of production when measured in daily toil.

But neither Germany nor any other depreciated currency country can do without trade with other countries, forever. Nor can it purchase in other countries without credit; and that credit must be based on the world standard. Ordinarily, international prices adjust themselves on a gold basis, and are measured in the international units. It is significant that when prices in Germany (for example) are measured in depreciated marks, the international value (in exchange) of the mark drops in about the same proportion as the price advances in paper marks. The same thing is true in France as to francs, or any other European country having a depreciated currency.

What is the effect on the United States of depreciated currency in Europe and the inevitable disturbance of normal exchange? Temporarily, depreciated currency countries have an advantage over the United States (and over England) in the markets of the world. Germany and France can produce competitive goods cheaper than either Great Britain or the United States. Hence imports from

Germany or France into Great Britain or the United States are stimulated. The money cost of production in France or Germany is lower than the money cost of production in Great Britain or the United States. Marks will buy more in Germany, and francs will buy more in France, than in the United States, consequently there is an abnormal profit in the importation of German or French competitive goods into Great Britain or the United States. Herein lies the need of special tariff legislation to meet the unusual situation.

Conversely, this same situation tends to check the exportation of American merchandise into depreciated currency countries. It takes so many more marks or francs to buy a certain amount of merchandise in the United States than in Germany or France, that exports of American goods to those countries are curtailed. Examination of the figures of our foreign commerce for 1920 and 1921, demonstrates the truth of this assertion:

	Exports to Europe	Imports from Europe
1919	$5,187,666,363	$750,528,389
1920	4,466,090,927	1,227,842,745
1921	3,408,522,000	937,868,864
1922	2,067,027,605	830,473,712

Much of the decline in imports (measured in dollars) was due to the deflation of the American dollar, into which foreign invoices of imported merchandise are converted. Also the decline in exports was due to currency inflation, somewhat. The volume of imports did not decline as much as the volume of exports.

In the words of the United States section of the

inter-American high commission, January 22, 1922: "Confusion in the existing exchange situation shows itself principally in two ways: first, in the relative premiums and discounts on the currencies of different countries; and, second, in the disastrous daily fluctuations of the currencies of the same countries. The export trade of countries whose currencies are at a premium is at a serious disadvantage. The trade of the United States is suffering more from this derangement than any other country, because its currrency is at a premium with respect to practically every other country. It is to be expected that in the course of time, price levels and wage levels will rise in countries with depreciated currency, and will decline in countries with premium currencies, until an economic equilibrium is once more reached. Meanwhile, however, while changes in the relative premium and discount on currencies are going on, the process is causing incalculable inconvenience and serious injury — economically, financially and socially — both to the premium and discount countries."

These are some of the consequences and perils of a depreciated currency based wholly on "faith and credit" or on "future human energy" or "human desire."

The time has come when Europe must approach and undertake to cure the financial and economic disease already advanced to a dangerous, if not a fatal stage. The Genoa conference was planned to accomplish this purpose. Lloyd George outlined a program at the Cannes convention. This program had three outstanding principles: first, financial assistance to trade with Russia must be predicated upon an acceptable assurance that the rights and property of investors shall be respected; second, that propaganda in Russia and elsewhere against capitalism and private prop-

erty must cease; third, an adequate means of exchange must be available, and generally there must be co-financial and currency conditions which offer sufficient security for trade.

The last implies that the Genoa conference must determine upon some formula whereby the obstacles to international trade raised by depreciated and fluctuating currencies, may somehow be done away with. This is an admission that the issue by governments of irredeemable paper currency, in quantities to meet public demand, is perilous to and destructive of, international trade, because it is a complete departure from the rate of exchange or the gold relation between the standard units of monetary measure established by custom, finally by law. If two or three European nations can work this havoc, through such a procedure, it is not difficult to picture the havoc and misery that might be wrought should the United States plunge into a reckless orgy of irredeemable paper money.

In a recent address Lloyd George said: "Before trade can be fully restored, you must have established everywhere convertibility of liquid assets lodged in banks of a country maintaining a free gold market. That will involve a revaluation of currency. The world can not afford to wait until currency is restored to par. What matters is stabilization at a figure that can be maintained and which will therefore constitute a reliable basis of international commerce." The premier said that budgets must be balanced, and that further issues of paper currency would result in new debasement.

The central thought of this declaration of purpose, is the restoration of the gold standard. Lloyd George says it must be through revaluation of European currency. In other words there must be a scaling down of the vast sums

of paper currency to something like gold values. Can this be done without wholesale repudiation? Does this involve a scaling down of the large sums borrowed from the United States by the several nations of Europe? Does it involve a scaling down of the $11,000,000,000 due the United States from Europe to perhaps $5,000,000,000? Does it mean that Great Britain will scale down the debt due her from France, and that France will scale down the debt due her from Russia, and that the paper marks and paper rubles now in circulation, will be scaled down to something like a parity with real capital and wealth in those countries? If this seems to be the only feasible plan, it should be observed, however, that the sole object is to restore those countries to a gold standard.

The United States was vitally interested in the Genoa conference, yet acted wisely in refusing to take part officially. It was interested because the central problem, apparently, was the economic restoration of Europe. The United States stands ready to help even more than it has already, when Europe manifests a disposition to help itself. If there is a plan on foot for the governments of Europe to repudiate their debts for the economic and trade benefit of one or two, the United States might protest more readily without than within a European conference. The United States desires foreign exchange to be restored to par, and its foreign trade maintained. The way to attain that result is to help Europe regain its credit by insisting on balancing budgets and re-establishing the gold standard.

It is said that America's need is "a money that will flow, a money that will release the pent-up energies and the natural forces which are waiting to remove our depression and fill the land with prosperity." Germany and Russia

have "money that will flow"—flow until it is diluted to the point of worthlessness. Will irredeemable currency "release the pent-up human energies and the natural forces?" By no means. It is capital that "releases the pent-up human energies and the natural forces," not money. Often the greater the volume of money, the more difficult it is to release the pent-up energies and natural forces. Money does not tie up energies; it helps capital produce more capital, unless it is depreciated and irredeemable.

All commercial nations agree that government should issue currency through private sources, called banks of issue. The government should not be in the banking business, should not go into the loaning or discounting business as a permanent policy. In the last analysis, the United States had no business to loan European countries vast sums of money. War was the only excuse. If the government is to go into the banking business, why not have it go into the automobile or the woolen manufacturing business? There is just as much reason and sense.

The national banking system supplemented by the Federal Reserve system, performs an important function in the business world. Under government control, it mobilizes capital and promotes saving and the accumulation of more capital through activity and investment. Capital is savings; and savings reinvested, is entitled to a fair rate of interest or return. A non-interest bearing currency issued by the government and based on water power or human energy, would depreciate soon. Government notes based only on agricultural products or human needs or mere promises would be hazardous indeed.

If the United States wishes to restore domestic prosperity, reduce unemployment and revive international trade,

it must avoid any sort of a new-fangled cheap money adventure. Such a proceeding would bring down the pillars of the temple, the Republic, on the unhappy heads of the people, and complete a ruin all sane folks would avoid. The road to normal international conditions is paved with a currency based on a gold unit of measure, not on paper measured by natural power, human energy, farm products or prospective profits. The world wants stability, not an uncertain and vanishing unit.

CHAPTER XII

Economics of Peace with Germany

WHATEVER opinion may be entertained as to the method pursued to establish final peace with Germany, ratification of a separate treaty with that country (as well as with Austria and Hungary) put an end to an anomalous condition and closed a stormy chapter of turmoil and terror. Acceptance of these treaties was gratifying to all nations concerned, and a distinct triumph for the diplomacy of the administration.

The long, bitter struggle over the Versailles treaty is a matter of history now. It involved the whole civilized world, made and unmade statesmen and leaders, well-nigh wrecked the careers of some of the actors, caused political havoc in party elections and involved nations in turmoil. Historians will pronounce the building of the Versailles treaty and its final rejection by the Senate, one of the most thrilling and heart-breaking periods in American annals.

The great war was not only a ghastly waste of men but a colossal economic waste. Primarily, the war was economic. It was a struggle whose roots were hidden in the humiliation of France in 1870-71, and even back of that in an imperial ambition to control the commerce of the world. It has been said by one writer that Germany was like a caged monster struggling for more room, more expansion, more breathing places. There was an economic madness.

Hence the economic clauses of the Treaty of Versailles

seem to be the most important. Part X contains the economic clauses, yet the "German rights and interest" recited in part IV are essentially economic, for they touch the entire colonial system of the former empire, upon which much of her over-seas commerce and shipping depends.

Under the terms of the Versailles contract, not only did the United States become the owner in fee as a tenant in common of European territory and a trustee as to other territory, for which Germany was paid nothing, nor given credit in reparation, but a co-receiver for all imperial state property.

Under this treaty Germany ceded her overseas possessions in fee simple to the allies and associated powers (including the United States) who did not assume the debts, and who took all the property without any compensation whatever running to Germany, either for the territory ceded or for actual property taken.

The United States became a tenant in common, with Great Britain and other associated countries, of German African possessions, with an area of a million square miles (one third the acreage of the United States) and a native population of 11,500,000; likewise a tenant in common of Germany's Pacific possessions.

Germany ceded without compensation of any sort or description, her extra-territorial rights in northern Africa, Samoa and in China, the latter "free and clear of all charges and encumbrances."

In short, Germany was closed out in all the world, apparently, without a penny's compensation. She lost her outlet for her increasing population and found her territory in Europe restricted. Germany ceded all her merchant ships, 1,600 tons gross and upwards, to the allies and associated powers, including one half of her thirty-two auxiliary cruisers,

one-half of her ships between 1,000 tons and 1,600 tons gross, one quarter of her fishing boats. Thus she was stripped of all means of carrying on her commerce.

Furthermore, Germany was compelled to construct, in her own ship-yards, a maximum of 200,000 tons of shipping each year for five years, the reparation commission to determine the specifications and the terms. Also Germany was forced to restore all allied river boats for inland navigation, and to cede a portion of her own fleet. Furthermore, Germany waived all claims for damage to German ships.

Germany agreed within three years to deliver to France and Belgium 40,000 horses, 184,000 cattle, 121,000 sheep, and a large number of other animals; also large quantities of machinery and tools. To France, Belgium and Italy, Germany agreed to deliver between 32,000,000 and 35,000,000 tons of coal annually for five years, and 25,000,000 tons for five years after. All the railroads and equipment in the German territory ceded to the allies, were seized without compensation.

Germany was compelled to agree to make compensation for all damages done to civilian population of the allied and associated powers, and to their property. Germany's investment in allied and associated countries, and held in Germany, were wiped out. All other German property in allied or associated territory might be retained and liquidated by the powers. This applied to all ceded territory. Germany agreed to compensate nationals of all allied and associated powers for losses to property in German territory, and to compensate for all property rights or interest taken by the allied and associated powers from German neutrals.

The treaty terminated all commercial treaties except those named and accepted by the allies, stopped Germany from making trade agreements, turned her coast-wise trade over to all the world, and prevented higher duties than those prevailing July 31, 1914. Germany waived all claims for internment of her nationals and her ships.

Such are the leading economic features of a treaty which the world in its calmer moments realizes is harsh and cruel. Yea, more; it is disastrous to the whole world. British ship yards were idle because of the over-supply of ships built in German yards and delivered to Great Britain. British coal miners suffered because Germany sent millions of tons of coal to the British Isles, also France and Belgium. French and Belgium industries suffered because Germany was forced to pay a large part of her indemnity in manufactured goods.

The struggle between Great Britain, France and Germany over the fixing of the amount of reparation, the politics mixed in that struggle, the threats used, is a matter of history. Again the economic problem faced Europe. Not infrequently the question was raised by British economists: How long can Germany stand it? How long can Great Britain and Europe stand it? Germany paid the expenses or was charged with the expenses of the armies of occupation, in addition to carrying her other burdens. She could not perform financial and economic miracles. Her effort to perform the task drained her gold reserve, and forced the issue of immense volumes of paper money, long after the close of the war, until the paper mark was worth not much more than the paper on which it was printed. Stripped of much of her economic machinery to produce, deprived of her colonies, relying on the printing

press for money, Germany is in the hands of a receiver, already.

The congressional joint resolution declaring an end of war, approved by the President July 2, 1921, expressly reserved to the Uuited States and its nationals "any and all right to enforce the same," to which the United States is entitled. The terms of the separate treaty specifically retains in the United States all alien property seized.

In considering the economics of peace with Germany, it is well to remember this vital distinction between the Versailles treaty and the Berlin-Washington treaty. The former imposes certain obligations upon Germany which finally the allies agreed could not be performed. The latter concedes to the United States the right to determine what the United States shall exact from Germany and how it shall be exacted. It is significant that article II of the separate treaty with Germany recites "with a view to defining more particularly the obligations of Germany . . . with respect to certain provisions of the treaty of Versailles," it is understood, etc. In other words, the United States would seem to open the way to deal with Germany about as it pleases, under the several parts of the Versailles treaty recited in the separate treaty. This might give the United States the right to handle the economic questions with due regard to the interests of all concerned, including the United States.

After much haggling, the ultimatum to Germany was: The payment of 132,000,000,000 in gold marks, less (1) bonds to the amount of 50,000,000,000 gold marks (2) payment of 2,000,000,000 gold marks annually and 26 per cent, of the value of her exports and (3) payment of 1,000,000,000 gold marks within twenty-five days. Germany appealed to

the United States without avail, and in the end was forced to accept the terms.

The separate treaty with Germany specifies the sections of the Versailles treaty under which the United States expressly reserves its "rights, privileges, indemnities, reparations and advantages." In other words, the United States refused to be bound by or to become a party to, the harsh terms of the Versailles treaty, and elected to accept or reject its economic rights which existed under the terms of the armistice, and which were recited and reaffirmed in the Versailles document. One of these rights was the right to sit in the reparation commission if it was deemed best. The reparation commission is a sort of receivership, an arbiter of Germany's economic life, whose decrees Germany agreed to carry out and enforce.

The principal allies in Europe have discovered that the economic burdens heaped upon Germany have been of doubtful benefit to them. The terms of reparation were an option on German commodities, and the enforcement of the option has caused the principal allies to pause and examine the situation. In the winter of 1921-22, British ship yards were idle, while German ship yards were busy. German workmen were employed building ships for England, Germany paying her labor in paper marks. British coal exports fell off, since France, Belgium and Italy obtained coal from Germany. Great Britain was at a disadvantage. Repairs on machinery set up by Germany in the devastated territory, went to Germany. Germany successfully invited investment of foreign capital in her enterprises, to the chagrin of the allies. What promised to be an economic restoration for the allies turned out to be a peril. Even on

an irredeemable paper currency, Germany enjoyed temporary prosperity — temporary only.

Germany paid the first billion gold marks, but it drove the paper mark down to less than one cent in gold. This made the world economic problem all the more acute, for it invited increased exports from Germany to competing countries, at a low cost of production. The direct result in Great Britain was the enactment of the "safeguarding of industries act of 1921." France, Belgium and other European countries have been forced to adopt a similar course.

These events suggest an economic peril to the United States lurking in the attempt to enforce the terms of the Versailles treaty. Great Britain's experience may well be a suggestive warning. The United States is vitally concerned in trade and commerce with Germany. If the payment of the American claims against Germany involves the acceptance of manufactured goods and merchandise to the injury of American industries, the economic problem is serious. Or, can the United States afford to receive large quantities of competitive goods from Germany, pay for them in cash and have these funds turned over to the reparation commission? Already increasing imports from Germany furnish a problem for the United States to solve. Imports from Germany for the last three calendar years were: 1919, $944,981; 1920, $45,085,975; 1921, $90,773,756.

Germany is in a strong position economically, however weak she may be financially. Paper marks temporarily, are solving Germany's economic and financial problems at the expense of other countries, giving her a tremendous advantage; but they are slowly bleeding Germany to death. Germany can not exist on paper money, and the allied problem is robbing Germany of her gold. If Germany is reduced to

economic helplessness, what will be the effect on the rest of Europe and the United States? A crash is inevitable unless the allied and associated nations lend a helping hand. The whole world will feel the shock.

Germany is underbidding the world in the production of many staple articles, because she pays her labor in paper marks, often resulting in wages less than fifty cents per day. Does it not seem wise and logical for the United States to refuse to fan the flames of economic peril which may consume the rest of the world, including the United States? Will not an unwise course postpone a return to industrial prosperity and increase unemployment?

CHAPTER XIII

Causes of the Agricultural Crisis

UNDER the title "Farmers are serfs of the money lenders" and the "only relief in sight is a possible chance to borrow even more cash," a contributor to a weekly publication paints a picture of the decline of American agriculture, "the large and useless expenditure of money," the increase in farm mortgages, and the small profits of farmers, resulting in "farm serfdom." The conclusion reached by the writer is that the farmers of the country, because of wrong governmental policy, are in the grip of the money lenders. He calls for a "face about policy under a dynamic, constructive leadership."

It is true that since the Department of Agriculture was created in 1862, appropriations for that department have increased from $600,000 to more than $33,000,000. It is true that 48 states appropriated some $32,000,000 for the benefit of agriculture. But does it follow that these expenditures for agriculture have been useless because they have "failed to stem its downward trend?" Says the writer of this article: "And so through the years, these bureaus and departments have multiplied, developing into a super-government, to which political parties in power have gradually come to delegate their prerogatives, receiving in return therefor governmental patronage. This super-government has supplanted real democracy." This is a strong indictment against the Department of Agriculture and its bureaus; but is it true? Has it

anything to do with the status of the farmers and the remedy for their present condition?

The fundamental fault with the picture drawn by the writer of the article, is that he employs a microscope instead of a telescope in examining the situation. He sees the immediate, present difficulties and wrongs, and fails to take a wide perspective view over a long period of years. When we view the history of American agriculture for, say sixty years since the Department of Agriculture was created, there is presented a marvelous development, a wonderful growth. Sixty years ago, there was no such thing known as scientific farming, rotation of crops or scientific use of fertilizers, or remedies for many ravishing diseases of the crops. In 1862 there were about 2,000,000 farms valued (with property) at $8,000,000,000. In 1920 there were 5,800,000 farms valued (with property) at $50,000,000,000. The total wealth produced by the American farms in 1862 was about $1,000,000,000 annually, and about $8,700,000,000 in 1920. So that when we take a view of agriculture through a good-sized telescope, and get our eyes fixed on the hills, we see a marvelous panorama of fields of wheat, corn, oats and barley; herds of cattle, flocks of sheep and many horses. The wealth of the Indies was nothing compared with the agricultural wealth of America from 1862 to 1920. The decline was after the world war.

Early in 1921, Congress created a joint commission of agricultural inquiry to examine into the condition of agriculture, the causes of the decline, and the remedies. In its report this commission says: "A constructive and general program of permanent agricultural development can not be predicated upon the abnormal phenomena of a period of expansion or depression. It must proceed from a considera-

Washington Monument, Washington, D. C.

tion of the cause of agriculture over a long period of development, in order that the wisdom of experience and a consideration of the organized knowledge of agriculture may be the guide and director of future development." In other words, no single isolated period, but a long period of time, must be taken in examining cause and effect of great economic forces.

Discussing the depression of 1920-21 this commission says: "Business cycles of alternating great prosperity and succeeding great depression, have occurred in a more or less regular way among all modern highly organized nations. . . . Rarely has a cycle swept through all its familiar features more swiftly and dramatically than that which followed the close of the great war. The most distant nations were equally involved, and most of them followed through the successive phases in almost identical times. In the United States every industry and every class of people were involved in the avalanche of descending prices. The turn in the tide of optimism, expansion, speculation and extravagance to reaction of deflation and depression, occurred about the middle of 1920, and at about the time when the grain crop of the United States was beginning to go on the market." In other words, the depression was world-wide, and not confined to agriculture or the United States. The avalanche of declining prices involved the whole world. It embraced all countries and all industries.

While the income and reward of capital invested and labor employed in agriculture increased over a long period of years prior to the world war, as compared with other industries, yet between 1919 and 1921 they were far below the rewards of other industries. Measured by the standard of purchasing power of his products by the absolute prices of farm products as compared with the prices of other

commodities, by the test of quantity production or the test of income or rewards for capital invested and labor employed, agriculture in 1920 and 1921 was relatively worse off than other industries.

Was the decline of agricultural prices in the crop year 1920-21 induced by overproduction in 1920? The production of grain in 1920 was greater than in any year since 1915, but less than 1906, 1912 or 1915; yet the greater production in these three years did not produce anything like the same decline in prices that took place in 1920. It can not be said that overproduction was the essential factor in the decline of prices.

Was the decline due to loss of markets abroad? On the whole, exports of grain in 1920-21 were greatly in excess of exports in the period between 1909 and 1913. On the whole, agricultural production in the United States has barely kept pace with demand, so that a collapse of consuming power of the American people or the people abroad can not account wholly for the decline in prices.

In the last ten years farm mortgages have increased; farm tenancy has increased. During the period of price decline, the wholesale prices of other commodities lagged behind the prices of farm products, and retail prices lagged behind wholesale prices.

The joint commission of agricultural inquiry recommends: legalizing cooperative combination of farmers for marketing their products; a better credit system for the farmers similar to the federal reserve system with long periods for rediscounting; a warehouse system; reduction of freight rates; agricultural attaches in foreign countries; better grading of products; better system of cost production; reduction of the hazards of climate; better terminal facilities; better

roads; better prices through the play of economic forces, not through legislation.

"A careful investigation of the economic conditions of the farmer," says the commission, "leads to the conclusion that the exodus from the farm to the city has been in a large measure due to the great economic rewards offered by urban employment than is offered for the risk, management and labor on the farm, and the greater income for capital invested in industry as compared with the income of capital invested in agriculture.

Undoubtedly the debacle of prices in 1920 and 1921 reduced the farmer to a condition worse than he has suffered for thirty years. Farmers have had the greatest difficulty in paying the debts incurred in producing the crops of 1920 and in securing credit necessary for new production. Yet, in discussing the prices of farm products, as well as the prices of everything else, it must be borne in mind that the world war and war inflation of currency boosted prices. The purchasing power of the farmer's dollar was cut in two. What he sold brought double price in inflated dollars; but it required twice as many dollars to buy a suit of clothes or a carriage in 1917-18 as it did in 1912-13. However, a bushel of wheat in 1917-18 purchased no more than a bushel purchased in 1912-13. Prices in inflated dollars were high, and demand boosted them still higher. When the purchasing power of the dollar began to be restored to normal because of deflation (or reduction) of credit currency, the price of wheat and all farm products declined. Had the price of all other articles declined in the same proportion and at the same speed, the farmers would have been just as well off as before. A so-called 50-cent dollar is of no advantage if prices advance in the same proportion.

Inflation of prices does not increase values; it simply deceives the public. The farmers (and others) in 1917-18 were deceived. They thought $2 wheat meant a doubling of values. It meant nothing of the sort. The unit of measure (the paper dollar then) was temporarily cut in two. This is the mischievous result of inflation or too much paper or credit money, always. Farmers and wage-earners are the first to be deceived and to be hit by a program of cheap or fiat money. They look at the doubling of prices and a doubling of wages they receive, but fail to look at the other side of the shield where it is revealed that there is a corresponding doubling in the prices of everything they buy.

It must be perfectly obvious that thus far in this discussion of agricultural conditions, the banker or money lender has not entered. The only factors have been (1) supply and demand, (2) a war, (3) inflation of prices and inevitable decline. During 1921 there was a marked advance in the prices of farm products. This was the result of natural economic law. But this increase in the price of farm products will not save all who were nearly swamped in the collapse of 1919-20. Doubtless many banks and many money-lenders lost large sums in this same collapse. It was the result of too much speculation, too much gambling, due to the flush of war and high prices.

Farmers must have fair prices and fair profits. But what are fair prices and fair profits? Surely the people have had enough of governmental regulation of prices and profits. There is only one way to determine fair prices and fair profits, and that is by the economic rule of supply and demand. To this, in the case of farmers, may be added co-operative associations and better methods of distribution. But after all, prices of wheat and corn as well as of boots and shoes or

blankets, are governed by supply and demand. Here the banker or the money lender does not enter.

Yet banks and money lenders are a part of the business of agriculture and stock-raising, also of manufacturing. They are essential and beneficial. They assist in marketing and carrying crops and cattle; they are a boon to business men. It is not the fault of a banker or a money lender that the borrower is unable to meet his obligations. It is not the fault of the owner of a farm mortgage that the farmer is unable to pay. The same rule applies to farmers as to all other business men — they need credit, and frequently borrow money or rather capital. The money or capital borrowed are the savings of other farmers and business men. Banks and money lenders have no bearing whatever on the price of wheat, corn, cattle, produce or fruit in the orchards. If farmers are "serfs of the money lenders," they assumed that unenviable position voluntarily; and the only way to get out of the serfdom is to pay the debts. If farm debts were incurred in flush and speculative periods, and the "boom busted," why blame the man who advanced the money or credit?

Farmers need money and credit, and the Federal farm loan system was created in 1915, at the earnest request of the farmers, to assist them in extending and expanding their business. The purpose of the federal farm loan act is to provide capital for agricultural development, to create standard forms of investment based upon farm mortgages, to equalize rates of interest upon farm loans and to furnish a market for United States bonds. The business is managed by a board of five members. The machinery consists of federal land banks, joint stock banks and national farm loan associations. Without entering into a discussion of the merits or demerits of the federal farm loan act, it is sufficient to call

attention to the fact that under its provisions 4,300 national farm loan associations have been formed. There are 25 joint stock banks. A recent decision of the United States Supreme Court resulted in a resumption of business by these banks and associations. Local national farm associations are formed with a minimum capital of $100,000. These associations subscribe to stock in a land bank, the Federal government taking the balance up to the required minimum of $750,000. Joint stock banks are formed with a minimum capital of $250,000, to lend money or credit or capital on farm mortgage security, and to issue farm loan bonds. It is a system of farm cooperation backed by the government. These operations are surely voluntary on the part of the farmers, first to pay off old mortgages, second to extend operations. Money or capital is borrowed at a lower rate of interest than formerly charged for farm mortgages. As a further inducement to assist the farmers, these farm loan bonds are free from taxes, which tends to lower the rate of interest.

The statement of the federal land bank dated April 30, 1922, shows assets amounting to $560,845,416 and undivided profits for the year amounting to $3,805,048. The net earnings up to April 30 were $9,520,917. On that day the United States held $5,624,845 of the stock of the federal land banks, the total capital stock being $31,475,165. The land banks on this date, had $505,365,588 out on mortgage loans to the farmers. The joint stock land banks, on April 30, 1922, showed total assets of $139,737,130, undivided profits of $359,212, and mortgage loans to the farmers amounting to $113,405,361. Thus the federal land banks and the joint stock land banks are loaning the farmers about $618,770,000 at a low rate of interest. While these loans represent only about

one-sixth of the total mortgage loans on all the farms, it represents a great saving in interest.

Some one says: "A sad commentary on our agricultural leadership is that today the only solution they have to offer is a pledge for legislation which will make more money available for the farmer, a companion piece to the federal farm loan system; when as a matter of fact the farmer has already poured money into the 'rathole' of interest." This might be said of any industry or any productive calling; yet interest is only another name for profit on savings — and profit is the very thing the farmer demands.

While it is true that mortgage loans have more than doubled during the past ten years, nevertheless the value of farms mortgaged has doubled also. Likewise it is true that farmers have had great difficulties in paying their debts, and the low prices of 1920 aggravated the situation. The joint commission of agricultural inquiry believes that the farmers' difficulties are due largely to credit restrictions and limitatations. It is proposed to apply the principles of the federal reserve system of rediscounting to farm loan banks.

Obviously the price of agricultural products is the determining factor in the average welfare of the farmers. Prices are determined by supply and demand and by cost of production. Normal interest is a small element in the cost of production. The big items are labor, material, transportation and distribution. Bonds, mortgages, interest and money lenders are held up to the farmers as great obstacles in the way of agricultural prosperity. Under these same "obstacles" farmers obtain credit and capital at very moderate rates.

It must be admitted that farmers prospered between 1917 and 1919; but it was war prosperity. Many thought war

prices would be permanent; and indulged in unwise borrowing. The world-wide collapse of 1920 caught many farmers and stock raisers. Had it not been for the banking and farm loan system of the country, bankruptcy among farmers would have been wide-spread. Within the last year economic forces have come into play and the price of cotton, of wheat and cattle has advanced. The farmers have seen their holdings increase in value many millions.

American farmers have been the victims, not of bankers and money lenders, not of the prevailing system of interest, but of inexorable and economic laws. They were saved from far greater distress by the very system of banking and loaning which many denounce. The War Finance Corporation and the federal system of credits saved many of the farmers from certain disaster. With a readjustment of world economic conditions and a return to normal, the prices of farm products will advance steadily to a fair level. Then farm mortgages may be lifted.

To abolish the present monetary system, discard banks and interest and all forms of loans, would strike a death blow to thrift and savings. Farmers would have no inducement to pay off their debts and save, and become real capitalists. If the federal government should undertake to print enough paper money to loan the farmers, without interest, so that the four billions of dollars in farm mortgages could be lifted thereby, the fiat money thus used would well nigh be worthless, when once in circulation; and it might require one hundred paper dollars to buy a loaf of bread or one thousand dollars to buy a shirt. Farmers would be ruined speedily, because present values would disappear.

There is no short road to freedom from debt, for farmers or any one else, this side the court of bankruptcy. It is a

long, hard journey; yet is made easier and more certain under a stable monetary system whereby capital and credit are easily obtained, and obligations settled with a minimum expenditure of energy and toil. An honest day's work will settle more debts under a system of a sound, honest currency, than under a system of cheap and inflated currency. Farmers and wage-earners become capitalists and money lenders much more easily under a sound system of credit than under a plan of wild-cat currency.

Agriculture is indeed the "backbone of the country;" and legislation has promoted and assisted it, so far as legislation can. Farmers are exempt from the anti-trust laws, are permitted to issue tax-exempt securities, can co-operate, and can borrow money or capital at a low rate of interest. Soon railroad freight rates will be lowered and marketing made easier. The farmers themselves must and will do the rest.

CHAPTER XIV

Our Banking System

CURRENCY "reformers" of a certain type, charge that banks and bankers are "spreading propaganda to crush money heresies" and that the sources of this propaganda are the so-called experts in the big banks, who filter their information into little banks and newspapers. "But what the individual banks are doing is not considered sufficient," it is said. "The American Bankers' Association is now planning a most elaborate propaganda venture." Finally the position of the average local banker as an authority on money matters is ridiculed and assailed by these "reformers."

Obviously the function of the banker in a city or community is not understood by the average citizen, else there would be no fertile ground in which financial weeds could grow and flourish. The function of the banker lies in economizing the use of money, in mobilizing the capital of the city or community, and in keeping a balance between the depositers, borrowers and the bank as a custodian of other people's money or capital.

Originally a banker issued receipts for the deposit of metallic money, and the receipts equaled the amount of metallic money. Today the modern bank of deposit, discount and issue, called a commercial bank, deals in credit and accumulated capital, represented by what we call money. Banking credit represents stored purchasing power. It

is called money or rather is made concrete by the use of what we call money. The banker undertakes to loan deposits, transferring to borrower the stored purchasing power of the money borrowed and in the custody of the banker. Originally no banker ever loaned more than the combined amounts in metallic money intrusted to his care. But when a banker undertakes to lend a half or three-quarters of the currency in his bank, while holding out his ability and willingness to pay currency (in gold or its equivalent) to all depositors who ask for it, the power of a given amount of currency is multiplied nearly four-fold. A bank that changes from a simple system of metallic deposit to a credit bank holding only 25 per cent in currency against its obligations to pay currency, economizes the use of money by three-fold.

The commercial banker, therefore, is a dealer in money. He provides money or credit to those who need it. He keeps money for hire, and nearly all of it belongs not to him and his stockholders, but to the depositors. He keeps money for hire just as a livery stable keeper keeps horses and carriages for hire, or a garage keeps automobiles for hire. The accumulation of capital or money for hire relieves the individual of the necessity of keeping it, just as a bakery relieves the individual of the necessity of continually keeping bread on hand against any possible need. This accumulation or mobilization of capital in the form of credit or money, economizes it, and increases its power for the accumulation of more capital. The borrower who may need gold or its equivalent, does not buy it; he goes to the bank and borrows it, paying interest therefor. This interest does not belong to the banker, wholly. It belongs to the depositors first and the stockholders next, in proportion to the capital

they have saved either in the form of deposits or of capital stock.

The banker holds out the continuous offer to supply gold (or its equivalent) against all deposits and other obligations. By making himself the custodian, and the bank the reservoir of such gold or its equivalent, he relieves the individual from keeping it on hand. Deposits of merchants and traders, are stored purchasing power, to be used in the future as need requires. The depositor does not create new capital, he simply transfers to the banker the purchasing power or the right which he (the depositor) possesses. If the banker loans this money or credit to a borrower, he transfers to the borrower the same purchasing power or the right, which the original depositor possessed.

The fundamental nature of the transaction does not differ when the banker accepts checks, drafts, and bills of exchange. All are transfers of this same purchasing power or credit or right. Acceptance by the banker as payment of debt to the depositor, simply saves the two parties and the bank from actually paying out gold or its equivalent in some commodity, and receiving it back again.

The element of credit enters into the transaction when the ability of the borrower to pay is tested. The depositor transfers his purchasing power or right to the banker, in the belief that, if that purchasing power is transferred to a borrower, the borrower will repay. The borrower takes the capital and uses it in creating more capital.

Therefore the three great functions of the banker are: (1) To steady and make approximately uniform the price of money; (2) To serve as an intermediary between capital seeking investment, and investors seeking capital—to create a sort of public market; (3) To transfer and exchange the

various titles to property in capital, measured in money, for the creation of more capital.

The benefit accorded by the direct deposit of capital in the form of money or credit, and the acceptance of bank notes as currency, is offset by the benefits which banks confer upon the public by mobilizing credit and capital, and adding to the resources of the community for the creation of more capital. The local banker in every community, performs a function of inestimable value. Rightly he is respected and honored, and his judgment and opinion accepted. A few may be false to their trusts, but the integrity and wisdom of the vast majority are valuable assets to any community—beyond price. Next to the church and the school house, every new community demands a bank and a reliable banker. The national banking system for the first time, stabilized and mobilized this modern credit system of banks, and its success for more than a half century proved the soundness of its principles. America's bankers did much to save the credit and business of the nation after the Civil War and during the period of reconstruction. Bankers were trustees of millions of depositors, and mentors of the safety of the Republic.

Locally, every banker is more or less the wise promoter of new enterprises, and the guiding hand of municipal progress. He advises in favor of the profitable ventures and against unprofitable ones. In the use and disposition of local capital and credit, he opens naturally the vista of municipal growth, which is the pride of all citizens. The history of every great city is the story of broad-gauged and liberal bankers whose vision was clear, whose courage was magnificent and whose prophesy came true. Every good banker must be conservative. He protects the machinery of

exchange and credit. The success or failure of new enterprises rests with him largely. The banker is constrained to be conservative for he is handling other people's money; he is a trustee, the responsible man. He must keep banking credit as solid as gold. Suspension of specie payments, failure to redeem notes in gold when demanded, challenges the entire system of bank credits.

It is the banker's business to oppose, yea, fight every sort of proposition threatening the trust imposed upon him. This justifies fully, any and all efforts to crush so-called "monetary reforms" that threaten to overthrow the solidity of the great credit system built up on the gold standard. American bankers are custodians of this system, and must bend every energy for its preservation.

The four great benefits of bank note currency are: (1) Economy of the precious metals; (2) the accumulation and distribution of capital; (3) reduction of the rental rate for money; (4) the adjustment of the currency to business needs. To secure the preservation of these benefits, the banker is pledged, for the benefit of the people as a whole, especially those who save, to create more capital.

Bank notes, although often subject to severe criticism, have proved safe. They are simply transfers of credit, but safe because they are measured in a unit composed of a fixed amount of gold. They have economized gold, and made credit possible under a gold standard. The bank note is a form of credit, which, under certain conditions, is most convenient, and performs most efficiently the work of saving the use of metallic money. Bank notes promote the activity and mobility of capital, and this is what the country needs. The freedom of bank notes is of more direct advantage in some respects, to the wage-earner and small trader

than to the manufacturer and capitalist. The bank note is "the deposit account of humble citizens and small merchants." The gold unit of measure is essential to this security of the wage earner. The same is true of the small farmer, most of whose transactions are made with bank notes. Finally, a banking currency keeps the volume of currency constantly adjusted to the requirements of production and trade.

Bankers and other clear-headed thinking men, should be on their guard now more than ever, against a renewal of the assaults on banks, bankers and the accepted world standard of sound currency and a sound credit system. International trade and commerce have suffered immeasurably because of the widespread departure from tried economic and financial principles, tested by the experience of mankind. The credit of a large part of Europe has been wrecked by a monetary system based on irredeemable paper currency alone. Exports from the United States to Central Europe, and imports from Central Europe to the United States have declined, primarily because the money of that part of the world is of such low purchasing power or value in international trade—in fact often worthless. Monetary "reformers" urge the printing of more paper money, and a surrender of the gold standard. Against this, the whole power of straight-thinking men and women must be directed, to avoid world chaos.

What are the essential recommendations of the economists, for the re-establishment of Europe? (1) Balance of budgets to open the way to currency stability; (2) co-operation among central banks, "not necessarily confined to Europe;" (3) a common monetary standard or unit of measure; (4) gold is the only common standard all European

countries could agree to accept; (5) an effective gold standard is not possible for some time, but should be the ultimate aim; (6) there must be no new paper money or fresh credits unrepresented by new assets; (7) a gold value or monetary unit must be determined and fixed; (8) an international corporation should be created to re-establish credits; (9) present exchange is an obstacle to trade; (10) an artificial control is futile; (11) within twelve months of the restitution of exchange any special restrictions imposed on the ground of depressed exchange should be removed.

As the Federal Reserve Bulletin says: "Much difference of opinion exists concerning the specific means to be employed and the incidental difficulties likely to be encountered in bringing about a return to the gold standard in Europe. But there is a gratifying unanimity of opinion among leading economists, financiers and statesmen, to the effect that any permanent rehabilitation of credit and currency systems, will necessitate a return to a gold basis of some sort." The argument in favor of the restoration of gold as an international standard of value is twofold—first, that no superior or better basis for prices has as yet been developed; second, that the use of gold as an international currency or price basis affords strong protection against pressure to bring about expansion of credit.

The exchange situation can not be corrected until some sort of a gold standard basis is established. A restoration of exchange by a system of international valuation of the paper money of the countries of Central Europe, on a gold basis and not equivalent to repudiation, will be followed by further extensions of credit to Europe, and an increase in our foreign trade with those countries.

The solution of this tremendous problem must be left

to the bankers and economists of the world. To ridicule and denounce these financial leaders in this critical hour, is treason to our own country, to say nothing about treason to humanity. American patriots, proud of their country and its institutions, and filled with the true American spirit of indomitable courage plus native enthusiasm, will aid in building up, not assist in tearing down. Wanted: faith in America, faith in Americans and faith in humanity. The whole world is facing another Armageddon. Our duty is clear and well defined.

CHAPTER XV

A Merchant Marine

THE RISE, decline and fall of the American Merchant Marine, its feverish revival under war pressure, is a tale familiar to all. It has been recited in volumes of printed pages and oceans of spoken words. Yet a statement of the high spots as a back-ground to the present problem is interesting and illuminating. The picture of the American Merchant Marine might be divided into five parts or periods—the clipper Yankee ships from 1780 to 1812, sailing on every sea; the struggle with Great Britain for supremacy in the ocean carrying trade between 1812 and 1855; the decline and almost disappearance of the American flag on the oceans, between 1855 and 1917; the hectic flush from 1917 to 1920; finally the collapse and awakening and big problem of 1921-22.

It is generally understood that in the early days, the greatest boon to an American Merchant Marine was the wisdom of the fathers who imposed an additional ten per cent import duty on foreign goods and merchandise imported in foreign vessels. The rise of the American Merchant Marine and the growth of foreign trade for more than a quarter of a century, was the marvel of the world "without parallel in the history of commerce." More than half the commerce of the world was carried in American ships.

At the close of the Revolutionary War, English diplo-

macy began its cunning work. A commercial treaty with the United States was consummated providing that "goods and merchandise imported into the United States in British ships shall pay no higher duties than if imported in American ships." This first controversy between the treaty-making power and Congress, is graphically told in Marshall's *Life of Washington;* and Wharton in his *International Law* says: "The question, therefore, which was agitated in 1796, whether Congress can refuse to pass acts for the execution of treaties, remains still open."

Commercial treaties with other countries followed, until the hands of the United States were tied with the cords of "commercial reciprocity." In 1828 the entire program of discriminating import duties was suspended by act of Congress.

Whatever may be said as to the wisdom of this program, the fact remains that the period between 1812 and 1855 was one of struggle and peril for the American Merchant Marine. The decline was steady and humiliating. The period between 1855 and 1914 witnessed an almost annihilation of American ships in the foreign carrying trade. Whereas once between 50 and 70 per cent of America's foreign commerce was carried in American ships, there was a steady decline until in 1890 only 6.1 per cent was carried in American ships.

Between the close of the Civil War and the beginning of the World War, many attempts were made to revive the American Merchant Marine by government aid, as other maritime countries were doing. The sea postage act of 1872, the amended postal law of 1892 helped some, but were far from productive of satisfactory results. The main difficulty, as now, was the excess cost of construction and

operation over foreign ships. In his famous reply to Gladstone in 1890, Blaine referred to the growth of American shipping in the coast-wise trade (exclusive to the United States since 1817) as "the one thing the United States government has consistently refused to neglect." In 1907 another attempt was made to increase the mail pay to American ships sailing to South America and the Orient.

This was the background of the picture in 1914 when the European war burst upon the world. When the United States entered the war, there were no ships to transport troops and food and munitions of war. The submarine was getting in its deadly work. The tragic neglect of an American Merchant Marine fell like a pall over the whole nation. The Shipping Act of 1916 was the result. It was a government ownership and operating proposition, under the guidance of the United States Shipping Board and Emergency Fleet Corporation, its child.

The "hectic" period of ship-building began in 1917. It is unnecessary to draw back the curtain and again disclose the operations of that unfortunate period from the effects of which the United States has not recovered yet, five years after. This program of government construction of ships for ocean commerce, cost the people about three and a half billion dollars up to the close of the war; and from three hundred million down to one hundred million dollars annually until June 30, 1921; and more than fifty million dollars during the fiscal year ending June 30, 1922.

In addresses late in 1921, the Chairman of the United States Shipping Board said that "in an established merchant marine lies our only hope of world trade," and that "American living standards should be maintained on the seas as on land; but to be maintained must be paid for, and

the difference between American and foreign standards must somehow be met."

Two possible programs presented themselves—one discriminating import duties, the other direct subsidies. Section 34 of the Merchant Marine Act of 1920, commonly known as the Jones Act, directs the President to give notice to the several governments with which the United States has commercial treaties which prevent discriminating duties, that "so much thereof as imposes any such restriction will terminate" on due notice. Every tariff law since the Civil War has undertaken to revive the principle of a discriminating import duties, but all have failed because the several laws recited that "that provision of the law will not apply to goods imported in vessels from foreign countries entitled by treaty or act of Congress to the same privileges as vessels of the United States in American ports." In other words, the imposition of an additional duty in favor of American vessels was nullified by long-standing commercial treaties. As long ago as 1894 an effort was made to have these Commercial treaties abrogated, in part. Now executives refuse to carry out the provision of Section 34 of the Jones Act of 1920. The hands of the United States are tied. Senator Jones of Washington state, said in 1921: "It will be little short of criminal if we do not free ourselves from those things that shackle us."

The alternative was a program of ship subsidies or subventions, which proved to be the fixed policy of the administration in 1922. The story of American experiments with ship "subsidies" dates back to 1855, when, to meet British subsidies amounting to $900,000 annually, the United States undertook a feeble system of mail pay, amounting to $2,000,000 altogether. Three American lines

to Europe and two to South America resulted. In 1858 the law was repealed. From 1839 to 1848 Great Britain pursued a powerful program of subsidy. In 1860-61 Great Britain paid an annual subsidy of $4,500,000. This was met by an annual payment by Congress of $250,000 for a monthly mail line of steamships between Philadelphia and Rio, the United States paying $150,000 and Brazil paying $100,000. In 1865 the government made a ten year contract with the Pacific Mail Company to pay $500,000 for carrying the mails. In 1891 another spasmodic effort was made to aid American ships by paying $954,000 annually for the carrying of the mails.

The feeble act of 1891 was ineffective against powerful foreign competition. Still another effort was made in 1908. In 1909 annual subsidies amounting to $46,900,000 were paid by the five leading maritime nations, not including the United States.

Obviously one of the prime requisites for the establishment of foreign markets is an American Merchant Marine. Foreign trade can not be promoted to the best advantage of the United States, unless delivery of goods is made in American ships.

To meet the situation, a group of experts was called together to study the situation and formulate a campaign and frame a measure calculated to establish permanently a program for promoting and protecting an American Merchant Marine, and dispose of the vessels built and owned by the government during the world war. The essential features of the proposal are both direct and indirect—payment of specific sums of money to owners and operators of American vessels based on the tonnage and length of voyage, the establishment of a building fund and

the permission of certain tax exemptions. While details may change, the principle is established and fixed.

The purpose of a ship subsidy or government aid measure is to assist American shipping engaged in the foreign carrying trade, by retiring the government from active operation in competition with private owners, and by paying the private owners annually about $34,000,000 as compensation for services rendered. It costs the government now (1922) about $50,000,000 a year to operate its ships.

Great Britain's ocean freight earnings amount to more than two billion dollars annually, of which the United States pays a good share. Government aid to American owners and operators of ships carrying the American flag, it is hoped, will divert some of this money to American steamship lines and help promote America's foreign commerce.

The fight for the ocean carrying trade of the world is on. Preparations for intensive activity are being made especially on the Atlantic. Every effort is summoned by the powerful maritime interests of Europe to checkmate the efforts of the United States to establish a permanent Merchant Marine of effective size and tonnage. Will American patriotism and independence rise to the occasion?

Under date of August, 1922, the United States Shipping Board had 416 steel vessels in active operation, 1,001 steel vessels inactive, 249 wood vessels inactive and 9 concrete ships inactive. Out of a total of 1,675 vessels, 1,259 were tied up, and inactive, scattered all along the coast. Some have never traveled under their own power. The inactive vessels include 30 tugs.

Shipping Board vessels in operation are sailing on lines between New York, Philadelphia, New Orleans and Baltimore

to Europe, Central America and Eastern South America; also to the west coast of South America. Also Shipping Board vessels are operated to Cuba and the West Indies, and between San Francisco, Seattle and the Orient.

Obviously freight service is the prime reason why American lines of steamships to the principal countries of the world should be maintained and protected against excessive competition. It is of importance that the United States should be practically independent of other countries in the ocean carrying trade, that is in the shipment of its imports and exports.

Competition in the ocean carrying trade is intense; it will be greater within the next few years. The question is this: "Why should American producers and manufacturers depend upon foreign countries and foreign ships to carry their exports and imports? Is not a merchant marine of vital importance?"

Will Congress sweep aside all prejudice against the word subsidy, and respond to what seems to be the needs of the times? All the leading maritime nations of the world extend adequate government aid of some sort to their merchant marine. Great Britain leads the list. Will Congress do likewise? Will Congress make it possible for American ships and the American flag to survive in the race for the carrying trade of the world?

If the American people wish to see the American flag on the ocean; if there is any maritime pride left after the experiences of the world war; some sort of government aid must be extended to the owners and operators of American ships. The doctrine of free trade or free competition in the ocean carrying trade resulted disastrously to Americans. Such government aid will mean national independence

in the carrying of our exports and imports, will tend to bring foreign markets into closer communication with the American farm and factory, and avoid discrimination and delay incident to dependence upon alien delivery of our goods and merchandise, and alien transportation of our imports. Great Britain's mastery of the seas was won by government aid; America must adopt the same program. An American Merchant Marine owned, operated and manned by Americans, will supplement the great program of national protection, stimulate activity on farm and in factory, keep more capital at home, promote American independence and American patriotism.

CHAPTER XVI

Panama and Free Tolls

THE VOYAGE of the Oregon around Cape Horn in 1898, to join the Atlantic fleet, convinced the American people that a canal across the Isthmus of Panama was a naval as well as a commercial necessity. It was the beginning of a realization of the dreams of explorers, discoverers, rulers and statesmen, from the days of Balboa to the days of McKinley and Roosevelt. DeLesseps tried and failed. Suez was his monument; Panama his sepulchre. The war with Spain and the sensational achievement of the Oregon translated a dream into a reality.

Diplomacy is the background of the Panama Canal; the Monroe doctrine its inspiration; American daring, enterprise and money its foundation. To President McKinley goes the honor of initiating the big job of 1889. The tragic death of McKinley threw the problem on other shoulders.

Into this great international drama of the century enter President Roosevelt and his Secretary of State John Hay. The powerful personality and intense Americanism of President Roosevelt, the calm temperament and analytical mind of John Hay, gave to the United States in this critical hour, two patriots unexcelled in American history.

There were three initial steps facing the President and his Secretary of State—an agreement with the Panama Canal Company, an agreement with the United States of Columbia, and the actual launching of the project. The first was accomplished peacefully by the payment of

$40,000,000 to the French Panama Company. The second was accomplished not so peacefully, but in a characteristically Roosevelt manner. Perhaps it is wise to pass over the partisan controversy around the birth of the Republic of Panama. It is a closed chapter since, on the 20th of April, 1921, the Columbian treaty, by which the United States agreed to pay Columbia $25,000,000 was ratified by the Senate. The third step was accomplished after much professional jealousy, differences in expert opinion and other causes—not a very glorious chapter in American history. In April 1907, President Roosevelt said: "I'm going to give the job to the Army and somebody who can not quit." And he did. The Canal Zone was created and the work progressed under the direction of Army officials.

Seven years later, in August, 1914, the Canal was opened for commerce. The "ditch" was the most stupendous engineering task undertaken in history up to that time. Enough rock and dirt was taken from the bed of the Canal to build a wall as high and as thick as the great wall of China, 2,500 miles long. Today the Canal is a success. In the fiscal year 1913 the receipts in tolls were $4,343,383 and the expenses were $4,123,128; in 1921 the tolls were $12,040,116 and the expenses $9,528,300. The fiscal year 1922 shows receipts amounting to $11,385,000 and expenditures amounting to $7,919,000 — a profit of $3,466,000 to the Government. The expenditures are outside of fortifications.

The United States has transformed this romantic and historic spot from a pestilence to a paradise. The Panama Canal, with its terminal cities, is now one of the wonders of the world, attractive because of its marvelous scenery, its balmy air, its warm and seductive climate. The atmosphere

is filled with the tragic story of Columbus, the fable of Ponce de Leon and the tales of ancient forts, castles and dungeons.

But the Panama question is not settled, nor are the treaties and laws under which the Canal was constructed and is operated, a closed book. For many years, a diplomatic and Congressional warfare has been waged around Panama, and the rights of the United States and Great Britain in the premises.

The high spots in this long-drawn-out drama are these: The Clayton-Bulwer treaty of 1850 guaranteed the neutrality of the Canal (referring to the Nicaragua Canal) and provided that the United States and Great Britain should share equally in the construction and control of the proposed waterway across the isthmus. Some one has said this was the only time "the Monroe Doctrine in spirit has been surrendered."

In 1901 the United States persuaded Great Britain to abrogate the Clayton-Bulwer treaty, and agree to the Hay-Pauncefote treaty transferring the rights of ownership and construction to the United States exclusively. Article III of this convention of 1901 reads as follows: "The canal shall be free and open to vessels of commerce and war, of all nations observing these rules, on terms of entire equality so there shall be no discrimination against any such nation or its citizens or subjects, in respect of the conditions, or charges of traffic or otherwise."

The act of Congress providing for the opening of the Canal, aproved August 24, 1912, contained the "free tolls for American coast-wise vessels" clause, which is the question at issue. The presidential campaign of 1912 was in progress, and both leading political parties indorsed "free

tolls to American ships engaged in coast-wise trade, passing through the Canal."

March 5, 1914, President Wilson appeared before Congress in person and declared that "exemption constitutes a mistaken policy from every point of view . . . We ought to reverse our action . . . I shall not know how to deal with other matters of even greater delicacy and consequences if you do not grant it to me in ungrudging measure."

A storm broke over the capitol. The passions of party strife rolled in waves of eloquence. Debate lasted six months. It was the most illuminating, exhaustive and eloquent discussion held in Congress since the "free silver" days of 1896. The great speeches made in this memorable debate, on both sides, are search-lights on the towers of American diplomatic history, covering a period of sixty-four years—from 1850 to 1914. They dealt with American honor, American independence, American sovereignty and American treaty obligations to other nations. However, the outstanding fact remains, that after a discussion of more than sixty years, the fundamental questions have not been settled yet.

The supporters of the repeal measure urged that the United States must stand by its treaty obligations. The other side argued that the Canal was built with American money and by American brains, and that the Hay-Pauncefote treaty "never contemplated the United States should be deprived of the right of arranging and regulating its coast-wise commerce as it sees fit," and that the words "on terms of equality" in the treaty are intended to prevent the United States from discriminating in favor of one foreign nation against another foreign nation.

For a long time, the meaning hidden behind President Wilson's phrase: "I shall not know how to deal with other matters of even greater delicacy and nearer consequences," was a mystery. Some guessed it meant Mexico, others that it referred to American sympathy for Ireland, both of which appeared to touch American relations with Great Britain. Later, publication of former Ambassador Page's correspondence with Co. E. M. House and President Wilson, threw a flood of light on the mystery. In these letters, Ambassador Page tells of the "embarrassment he is under in London because of the free Panama tolls controversy." Page wrote House: "This canal tolls matter stands in the way of everything. . . . . They (the British) are suspicious of our government because, they contend, it has violated its faith." Ambassador Page made a speech in London in which he stirred up the "free tolls" men in Congress. Page's removal was demanded.

Here are the questions unsettled still: (1) What is the true interpretation of the Clayton-Bulwer treaty? (2) What is the correct interpretation of the Hay-Pauncefote treaty? (3) Has the United States the right to exempt American coast-wise vessels from payment of tolls in the Panama Canal? (4) If so, what will be the economic effect?

It was agreed to settle these questions in the Senate early in October 1921, but the agreement was dissolved because of the approaching Arms Conference. It was stated that the administration feared a re-opening of the question on the eve of an international conference in Washington would cause embarrassment to the United States, the host of the delegates from Great Britain coming to discuss the pathway to a larger measure of international peace. It was feared by some that a vote to establish "free tolls" might offend Great

Britain and give rise to a repetition of President Wilson's cryptic message: "I shall not know how to deal with other matters of even greater delicacy and nearer consequences." The questions involved are still unanswered, and the "free tolls" problem is unsolved.

The financial and economic phase of the situation is another problem. The Canal is more than self-supporting. What amount of revenue may be lost under an "American free toll" program is uncertain. Obviously it will be quite an amount. On the other hand, such an exemption will be a material assistance to American shipping. It is argued that "free tolls" for American vessels in the coast-wise trade will affect foreign vessels, since foreign vessels now are excluded from American coast-wise trade. However, such a program would tend to reduce freight rates from coast to coast, thus affecting trans-continental railroads.

The promoters of "free tolls" say: "If the problem is purely American and wholly domestic, why this clamor from abroad?"

The Panama and "free tolls" question will never be settled permanently until it is settled from an American point of view and for American welfare.

CHAPTER XVII

"Most Favored Nation"

ONE of the difficulties encountered by all nations in the problem of readjustment of war conditions, is the disturbance of what is known as foreign exchange — that is, the gold value of the standard units of measure as compared with the American unit of measure, the gold dollar. For many years there has been a practically uniform rate of exchange between the American dollar, the English pound, the French franc or the German mark, so that the value of exports and imports between the various countries could be measured accurately.

The world war and the resulting vast quantities of paper currency issued, have thrown this "foreign exchange" or table of comparative gold values, out of joint. Obviously, with exchange disarranged, the values of all imports and exports are disarranged; and any country imposing ad valorem duties, that is duties based on a certain per cent of value of imported goods, finds itself facing a new and perplexing problem. This was the situation which confronted Congress for more than a year and a half. In a large measure, it may account for some of the delay.

To overcome the situation, the leading commercial countries have devised new methods of applying ad valorem duties. To bridge the chasm between normal exchange of standard units of monetary measure and existing abnormal exchange, the plan of limiting the depreciation of foreign money or

currency when applied to the valuation of imports, has been adopted. In plain language, the effect is to establish in the country of importation (Canada for instance) a fictitious valuation of the foreign unit of measure, to prevent a drop in, perhaps a disappearance of, the ad valorem duty. An ad valorem duty of 50 per cent drops to nothing almost when the value of the imported article is, for example, 50 cents or $1 in gold.

Under the American law and practice, whenever the price or value of merchandise obtained by purchase or consigned for sale in the United States, is expressed in the invoice in a currency which is depreciated as compared with the standard coin currency of the country of exportation, a currency certificate must be attached to the invoice showing the percentage of depreciation in the terms of the standard currency of the country from whence the goods are imported. If the United States consul for any reason is unable to so certify, he shall attach a certificate showing the rate at which such depreciated currency is exchanged for United States money in the principal markets of the country whence the goods are imported.

The collector of customs is required to convert such depreciated currency into United States money, under certain prescribed regulations laid down in the new tariff law, to wit: The value of foreign coin is that of the pure metal of such coin of standard value; this value is estimated quarterly by the Director of the Mint and proclaimed by the Secretary of the Treasury quarterly, on the first day of January, April, July and October of each year; in assessing and collecting duties, all conversions of currency are made at the values proclaimed by the Secretary of the Treasury for the quarter in which the merchandise was exported from the

foreign country; if no such value has been proclaimed, or if the value so proclaimed varies by five per cent or more from the value measured by the buying rate in the New York market at noon on the day of exportation from the foreign country, conversion is made at a value measured by that buying rate; such buying rate is the rate for cable transfers payable in the foreign currency converted, determined by the Federal Reserve Bank of New York and certified by the Secretary of the Treasury.

The invoice value of all imported articles is converted into United States currency at the prevailing rate of exchange. Countries having a greater depreciation in currency will pay a lower ad valorem duty than countries having a less depreciation. Depreciation of currency tends to lower the cost of production; and the invoice is supposed to reflect the cost of production, primarily. Thus depreciation of currency may, and usually does, result in different ad valorem duties paid by different countries on substantially the same sort of merchandise. This is one of the reasons why the so-called American valuation plan of assessment was suggested; it tends to make an ad valorem duty on a given kind of merchandise, uniform.

The practical result of foreign valuation assessment, when there is a constant and rapid change in the rates of exchange with foreign countries, is to discriminate more or less in favor of or against certain countries, in the matter of import duties. Also it opens up another important question — the construction of our commercial treaties and what is known as the "most favored nation clause," which appears in nearly all such treaties. What are these treaties? What does the "most favored nation" clause mean? What is the relation between foreign exchange and the tariff? What

bearing have these historical matters on the present commercial situation and a tariff to meet present conditions?

Modern treaties cover a variety of subjects; but the present consideration will be confined to trade, customs laws and regulations. All of our earlier treaties were treaties of "amity and commerce." The first American treaty made with France in 1778, contained this article: "The most Christian King and the United States engage mutually not to grant any particular favor to other nations, in respect of commerce and navigation, which shall not immediately become common to the other party, who shall enjoy the same favor, freely, if the concession was made freely, or on allowing the same compensation, if the concession was conditioned." The language employed was "the most favored nation" clause, so-called.

This "most favored nation clause" has come down from early commercial eras, before the period of modern nations, of industrialism or tariffs. The European practice was founded on what was then known as "commercial liberalism" which now is denominated otherwise. Each state desired the same concession granted to any other state. An instrument was devised to automatically secure to newly contracting states the benefits of concessions previously made to other states. That instrument was "the most favored nation clause" which is found in nearly all American commercial treaties. It was transplanted from Europe to America.

In one form or another, this formula was inserted in commercial treaties subsequently put into force by the United States. Our treaty of "amity, commerce and navigation" with the Netherlands in 1782 provided that "no other or greater duties on imports of whatever nature shall be paid than those which the nations the most favored are or shall be obliged to pay; and they shall enjoy all the rights, liberties,

privileges, immunities and exemptions in trade, navigation and commerce which the said nations do or shall enjoy." Our commercial treaty with Sweden in 1783 contained the same provisions substantially. Our treaties with Prussia in 1785, in 1799 and in 1828 gave mutual concessions, the last embodying the "most favored nation clause." Our treaty with France in 1800 also contained the "most favored nation" clause in these words: "The two parties should enjoy in the ports of each other, in regard to commerce and navigation, the privileges of the most favored nation." Our treaty with France in 1803 concluding the purchase of the Louisiana territory, said that "the ships of France shall be treated upon the same footing of the most favored nations in the ports above mentioned." Our treaty with Great Britain in 1815 provided for "most favored nation treatment."

For many decades no single feature of modern commercial treaties has occasioned more or greater difficulties of interpretation than the pledge known as the "most favored nation clause." Obviously its intent is to assure to each party signing the treaty that it has been put by the other nation in a position as advantageous as that accorded to any other nation, and that it shall not subsequently be put in a less advantageous position in the event that greater favors or privileges are granted to a third state.

In the course of time there have developed two schools of interpretation. The American interpretation insists on maintaining a distinction between favors granted expressly in return for present and recognized compensation. The European interpretations have eliminated this distinction and insisted that the "most favored nation" treatment must be accorded whether there is reciprocal concession or not.

The so-called American interpretation has come down to

us from John Jay in 1787, then Secretary of the Department of Foreign Affairs. Mr. Jay then said, in substance, that he distinguished between favors granted gratuitously and granted reciprocally. The same question was decided by John Quincy Adams in 1817 and again in 1821 by President Monroe. The American doctrine was established on the theory that to claim a privilege under the "most favored nation" clause, the nation asking for it must grant an equivalent. Mr. Clay and Mr. Van Buren, as Secretaries of State, maintained the views of their predecessors. Secretary of State Frelinghuysen followed the same precedents in 1884. The American interpretation has been established by decisions covering more than a quarter of a century.

The courts have interpreted the "most favored nation" clause in the same way. In the famous case arising out of the United States-Hawaiian treaty of reciprocity, the court said: "The treaty with the Hawaiian Islands is reciprocal, and no violation of the treaty with Denmark; the United States is not bound to extend to Denmark, without compensation, privileges conceded to Hawaii, in exchange for valuable concessions." The tariff law of 1897 made reciprocal agreements with four European countries, and the court held the same as in the Hawaiian case.

On these rulings and decisions is based the time-honored American interpretation of the "most favored nation" clause, which is, that it is not applicable to reciprocity treaties. Thus, when the United States grants concessions to another state in return for compensating concessions, the United States government holds that a third state is only entitled to obtain extension of the concession to itself by granting similar concessions.

However, since the new tariff of 1922 practically

abandons reciprocity and substitutes executive retaliation in case of discrimination by any country against the trade and commerce of the United States, the application of the "most favored nation" clause to reciprocity is not a live question.

We have seen that the "most favored nation" clause in most of our commercial treaties, prevents the imposition of a discriminating import duty to assist in promoting and protecting an American merchant marine. Both President Wilson and President Harding refused to terminate those portions of our commercial treaties prohibiting such discrimination, on the ground that such termination would disturb and complicate our commercial relations with many countries.

But since the world war, another element has entered into the problem, namely the depreciation of foreign currency which automatically causes a discrimination in import duties in favor of those countries having the highest currency depreciation. This applies only to articles upon which ad valorem duties are imposed. For example, a forty per cent duty on a German pocket knife invoiced at so many marks (valued at 25 cents when converted into American money) is ten cents. A duty of forty per cent on a similar English knife invoiced as so many pence or shillings (valued at 50 cents when converted into American money) is twenty cents. In the one case the forty per cent duty is ten cents, in the other twice as much or twenty cents. Manifestly this is a discrimination in favor of a country of large currency depreciation and consequent low cost of production. It is automatic.

This departure from pre-war normal exchange and a resultant variable depreciation of foreign currency, not only caused tariff discrimination automatically; it raised another point, namely does it not lead to a violation of the spirit of the Constitutional provision that "all duties, imposts and

excises shall be uniform throughout the United States." Imposts means import duties. A duty of forty per cent on a foreign article from Japan might be ten cents, and on a similar article from England might be twenty cents. The duty in San Francisco would be one-half the duty in New York.

This situation arising from depreciated foreign currencies and discrimination in import duties, was one of the powerful arguments in favor of adopting the American valuation instead of the usual foreign valuation, in assessing ad valorem duties. Such duties based on American valuation would remove all discrimination, and make import duties uniform on all similar articles, no matter from where imported. The new tariff law gives the President authority to apply the American valuation if he thinks necessary.

To avoid these complications and inconsistencies, the new tariff law contains what is called a "flexible tariff" provision, permitting and authorizing the President to raise or lower any import duty not to exceed fifty per cent, whenever, in his opinion, the facts justify such an increase or decrease. The difference between the American and foreign cost of production is the basic rule; and this difference widens as foreign currency depreciation increases.

In attempting to solve this part of the problem, has not Congress presented another serious legal question, in delegating legislative authority to the executive? Will not an executive increase or decrease of tariff rates involve the raising of revenue, and conflict with the spirit of the Constitutional provision that "all bills for raising revenue shall originate in the House of Representatives?" These are important matters the courts may be called upon to settle. Obviously, this experiment, if made permanent, eliminates Congress as the tariff making branch of the government.

Thus the "most favored nation" rule involves American shipping, American tariff laws, and what is known as the "open door"—a phrase which is used frequently to conceal a low or non-protective tariff program. The "most favored nation" clause, the "open door" and a "flexible tariff" may lead to the downfall of the principle of American protection.

It is said that American statesmen have contended for equality of opportunity but not for identity of treatment; for the removal and prevention of discriminations, but not for the same terms to all states at all times, and in relation to all trades. Since 1890 the United States has employed the "most favored nation" clause less regularly than before that date. In recent years, the United States has made many commercial agreements wherein "most favored nation" clauses have not been included, largely, perhaps, because of the difficulty over the interpretation of the clause. Will the "most favored nation" clause in all old treaties be interpreted as a block to prevent the United States from asserting its independence and its power to solve new problems in the light of reason and self-determination? Will ancient commercial treaties be interpreted, for example, to prevent Congress from pursuing any commercial or domestic policy deemed wise?

Consideration of these important questions discloses the complicated background of the approaches to a sane and safe solution of the tariff question.

CHAPTER XVIII

A World Economic Conference

IS THERE need of an international economic conference? The Washington Arms Conference, the progress made in "understanding" at least in the matter of limitation of naval armament and Pacific Islands agreement, has strengthened the belief that the doctrine of "understanding" might be extended to world economics. It is believed by many that if representatives of the powers sitting around an international board can come to some satisfactory agreement to cut down and limit the expenditure of the people's money in the building of ships of war; if a four-power agreement or contract can be consummated touching "loaded" Pacific problems, it is possible for the representatives of the same and other governments to sit around another table of understanding and not only think out rationally the causes underlying the world's economic ills, but also suggest a remedy, perhaps a cure, beneficial to all alike.

As the call for the Arms Conference came from the United States, the nation to suffer least from continued excessive expenditures for sea-fighting machines, it is urged that a call for a world economic conference could come properly from the United States as the nation to suffer least from uncontrollable lack of credit, unchecked paper currency and loss of business. The United States is in a strong economic position comparatively speaking, it is contended, and could well afford to take the lead in an effort to help the world economically, thereby helping itself.

The basis of this school of thought is that the United States is powerful enough to set the pace and to check the decline of European credit by means of some form of international credit. Those who indorse this view of the situation assume that Europe can not start the ball rolling, and if the United States is to save itself, a beginning must be made on this side of the Atlantic. It is argued that Germany is the key to the situation, and that Germany is helpless because of the harsh Versailles treaty; and, compelled to resort to the printing press for her currency, now appeals to the allies for help in the payment of reparations.

"As matters stand now," says a prominent American economist, "there is no escape for Germany, and if Germany falls economically and financially, the disaster to other countries, and even the United States, will be appalling." These economists believe in the establishment of some sort of an international bank, with a large part of the gold of the United States as a basis of its currency. It is said this would make the American dollar the standard currency of Europe, and set Europe on its feet.

On the other hand there is another school of thought opposing any entrance of the United States into world economic affairs until Europe reveals some ability to function collectively for itself. "America must keep hands off Europe in the matter of taking the initiative in calling an international economic conference," says a prominent official in close touch with world economics. "Great as is the need of action along this line, I do not think it is time for America to move. The real facts are that the world has not yet fully demonstrated its ability to function economically and financially. Until we are sure of this fact,

America better not call an international economic conference."

Which program do the facts justify? The recent decision of leading American bankers not to advance a loan to Germany, at least for the present, would seem to indicate that the time is not ripe for either an international economic conference or an American loan to Germany as the key to the arch. So long as the German reparation problem is unsettled, the whole European economic problem will be unsettled. The United States can not afford to loan money to Germany either to pay her reparation bill or to compete with American industries in an open American market.

It is not new to say that the world war destroyed the economic machinery by which peoples live and thrive. It destroyed the equilibrium of production and distribution, of trade and commerce, of money and exchange, and tossed into the air all the fixed formulas of human progress. It is entirely new to suggest some workable plan or agreement under which the economic affairs of the world may be restored to normal and the United States saved from the consequences of a possible world collapse. Should America make the first move, or wait in the hope that Europe may put itself in shape to bear its share of the burden?

The average citizen has almost forgotten that one international economic conference was held eighteen months before the gathering at Genoa. At the Brussels international conference of September and October 1920, twenty-four states were represented and twelve others had "observing delegates." Germany, Austria, Hungary, Belgium and all the newly-made "near" nations had representatives. The United States has an unofficial observer—unofficial because the conference was held under the auspices

of the League of Nations and the United States does not officially recognize that organization.

This conference of 1920 at Brussels was a graphic picture of the economic world at that time. Speakers dwelt eloquently and pleadingly on the "abnormal obstacles which are hindering business today," and urged that "governments strengthen the weak links in the chain of normal commercial transactions." The conclusion favored budgets, reduction of armaments, elimination of subsidies, limitation of loans to production, funding of external debts and elimination of internal and trade restrictions. The discussion and conclusion were from a European point of view.

What was the Genoa conference, and the background of its problems? A conference was held in London, December 21st and 22nd, 1921, between Lloyd George and Premier Briand, at which the whole question of economic restoration of Europe was discussed. As a result, a call was issued for a meeting of the Supreme Council at Cannes, France. The allied Supreme Council met at Cannes, January 6th, 1922, with the Premiers of Great Britain, France, Belgium and the Japanese Ambassador at Paris in attendance. Ambassador Harvey was present as an observer, but not taking part in the proceedings. Premier Lloyd George reviewed the economic situation in Europe, and put forth the plan of a Central International Corporation with $100,000,000 capital, to organize the restoration of Europe. Resolutions were adopted reciting (1) that such a conference constitutes an urgent and essential step toward the economic reconstruction of Central and Eastern Europe; (2) the restoration of the international commerce of Europe and the development of resources is necessary; (3) a common effort is necessary; (4) large credits are necessary; (5)

that it is the right of each nation to choose for itself the system of government it prefers; (6) foreign investors can not invest unless their property rights in a country are respected and assured; (7) foreign investments are not possible unless all public debts and obligations are recognized and guaranteed, and contracts carried out; (8) a convenient means of exchange is necessary; (9) propaganda must stop; (10) aggressions must cease; (11) the Russian government must accept the conditions. The United States declined an invitation to attend the Genoa conference.

The background of the Genoa conference was a mountain of debt, depreciation of currency and a breaking down of exchange. It was estimated that the debts of the thirteen countries involved in the war exceeded $300,000,000,000, reckoned in gold. Germany's paper credit currency amounted to more than $140,000,000,000 while Russia's currency was estimated in astronomical terms only. The conference was wrecked on the shoals of Russia and the rocks of Germany. The best that can be said is that Genoa was a sign-post pointing the way to the Hague.

The fact that Europe has taken no serious steps to inaugurate any plan of self-help would seem to indicate that in this crisis, Europe is unable to function. This might be seized as an argument against any initiative on the part of the United States. Furthermore, it is said, how can a bankrupt nation add to the security of its citizens by simply issuing bonds, thus increasing its debt? All this seems to argue in favor of America "keeping hands off" until something happens— either a total collapse or a slow revival obviating the need of any international economic conference, with the United States the leading actor.

It is not difficult to assign a cause for this wide-spread

lack of credit in continental Europe. War is the most uneconomic of all processes. It not only destroys existing wealth and checks future production; it forces excesses in credit or paper currency far beyond a corresponding increase in wealth. Already it has imperiled, if not destroyed, the gold standard in many countries resorting to the "riotous revenue" of the printing press.

Russia and Germany lead in the procession of paper money countries. Poland is a close third. The paper money of these three countries is in such vast quantities as to render each almost worthless, when compared with gold. The German mark is worth a small fraction of a cent in American money,[1] whereas at par it is worth about 23 cents. In 1922 it required 22 Polish marks to buy one German mark. In other words, a Polish mark was worth about .0000136 of one cent an American money. Such currency is fantastic, grotesque. It is useless to attempt to maintain international exchange and normal trade and commerce under such conditions.

Obviously the effect is disastrous to the United States. American manufacturers and producers can not do much business in competition with such countries—can not sell them goods and merchandise. As a consequence, American exports to these countries have declined rapidly. "Why should we," say these Europeans, "buy of the United States when it takes so much of our money to buy an American dollar?" Depreciation of currency in France, Italy and Belgium, and to some degree in Great Britain, acts as a check on the purchase of American goods by Europeans. Depreciated foreign currency is a menace to American busi-

[1] In October, 1922, the German paper mark was quoted at .0003 of a cent in American money or gold.

ness and commerce; it is threatening the export trade of the United States and the profits of American shippers.

So far as the United States is concerned, its primary interest in an international economic conference lies in a possible restoration to an approximation of the normal par value of all foreign currency. Can this be brought about unless all foreign countries stop the printing presses and cease this issue of paper currency? Might not the United States be placed in peril by attempting to take a hand in the economic and financial affairs of all the governments of the world?

On the other hand will such a conference be able to make the American dollar a world standard? Will it restore pre-war exchange? Can anything but the stopping of the printing press bring about such a restoration? Then there are the economic problems in the far east, the so-called "open doors," the raw material question, the world markets and the economic independence of China. Will the four-power treaty or "understanding" covering the peaceful possession of Pacific islands, or a nine-power "understanding" covering a wider sphere, touch the world's economic problems?

Can a world debt be adjusted or refunded in an international conference called by the United States? While the existence of huge debts is a menace to good international relations and peace, might not an international economic conference, called by the United States, be seized as an auspicious opportunity to ask for wholesale cancellations of debts? Will the people of the United States indorse such a move? Will America be able to stand the pressure of "world debt cancellation" already brought to bear by powerful representatives of all debtor nations?

To such a conference may be linked the struggle for trade and commerce, for raw materials and for shipping. Will the nations having the largest deposits of raw materials, the largest foreign trade and the largest merchant marine, share their advantages with the rest of the world? Will surrender of concessions and ports prevent rivalry for trade and commerce? Will the "open door" remove the economic struggle for markets? Will limitation of naval armaments check the speed of ocean steamers and the race for world trade?

These are grave questions to be considered before an international economic conference is called by the United States. In a proper adjustment of the economic forces of the world lies the peace and prosperity of America. Will an international economic "understanding" be pregnant with peace or peril? In restoring credit to Europe will the credit of America be undermined? Perhaps the work of the foreign debt refunding commission may answer these queries.[1]

In a message to Congress President Harding said: "In the main, such a program must be worked out by the nations more directly concerned. They must themselves turn to heroic remedies for the menacing conditions under which they are struggling; then America can help, and America means to help."

Is this a challenge to Europe to help itself first before America will undertake to call an international economic conference? Is this notice to Europe that America will help Europe only when Europe demonstrates its ability to help itself?

[1] See page 59.

CHAPTER XIX

Economic Consequences of the Arms Conference

WHEN THE world war closed in 1918, the indebtedness of the world was estimated at $354,000,000,000. One estimate was as high as $382,000,000,000. The pre-war debt of the world was $43,000,000,000. In four years the financial burdens of the people were multiplied more than nine times. In 1918 the debt of the United Kingdom was $37,000,000,000,[1] of France $50,000,000,000; of Germany $71,000,000,000; of Italy $18,000,000,000; of the United States $26,000,000,000. The effect of such a staggering weight of debt has thrown out of adjustment all the economic forces and monetary laws, taxing the ingenuity and patience of humanity. The consequences are not confined to Europe, but reach the farthest limits of the commercial world. Its burdens are crushing the hope and life out of the masses, for the most exacting taskmaster in the world is the public debt.

More than four years have rolled around and still the most stupendous thing that confronts the people is this world debt. With one or two notable exceptions this debt has not decreased materially. It paralyzes industry, increases unemployment, stagnates trade and commerce. In England, Germany and Japan, there are signs of public uprisings, while millions of wage-earners still walk the streets asking for work. Strikes add to the turmoil. Manufacturers can not pay the wages demanded because they are taxed until they can not be taxed further.

[1] Great Britain's debt now (November, 1922) $35,000,000,000.

In 1921 it was discovered that out of every dollar paid in taxes by the people of the United States for all purposes, about 93 cents went for wars and preparation for wars. Before the world war about 76 cents of every dollar went for war purproses. The cost of civil activities from 1909 to 1919 averaged $2.15 a year per capita, yet commodities doubled in price, so that the cost of civil activities measured in commodities, in 1920, was only one half the cost in 1910. However, appropriations and taxes climbed higher and higher and the people were bowed low.

Between 1834 and 1914 the navy department disbursed $6,907,369,032. Both the army and navy (without pensions) disbursed $29,909,739,041. Now it is realized that oppressive taxes will break down the most patient and loyal people.

In 1920 the tax burden of the United States was $37.40 per capita, of which $2.50 was for ordinary purposes and $34.90 for military and naval purposes, pensions, interest and preparation for war.

The recklessness of expenditure following the war kept pace with the fever of greed and jealousy. In 1920 the nations were moved by a nationalism more passionate and a rivalry more bitter than before the great war. The impotency of the Versailles treaty brought about the prostration of Europe even more than the waste of war. Even when the first cry for world economy was heard in the Senate of the United States in December 1920, the leading maritime nations of the world were planning elaborate campaigns for further vast expenditures for ships of war. Great Britain appropriated $500,000,000 for her navy, resolved to have a fleet "to be maintained at a strength equal to that of any other nation." Her 1922 program called for $450,000,000. Japan was preparing for more battle ships

and battle-cruisers, light cruisers and submarines. The naval program of the United States for 1921 was the construction of 16 capital ships costing about $40,000,000 each. The report of the General Board of 1919 recommended 18 great battle-ships "to be completed as expeditiously as possible." The fever of spending contracted during the war still raged. The people in 1920-21 saw nothing but more appropriations and taxes. A continued race for naval armament meant world bankruptcy.

The initial legislation for the re-building of the American navy was in 1882. Fifteen first line battle ships have cost $193,059,000; fifteen second line battle ships have cost $95,252,000; eleven cruisers have cost $55,883,000; two light cruisers have cost $5,663,000. This is a total of over $360,000,000. In 1921 there were 813 war ships in service in the United States navy, 79 under construction and 19 authorized—a total of 911.

When the naval programs of the leading powers in 1912 were placed along side the proposed programs of 1920, the people began to wonder what the end would be. In 1912 Great Britain spent only $80,662,000; Germany only $59,000,000; France only $35,000,000; Russian only $34,487,000. A year before the world war these four powers spent only $253,312,000. Why should the United States, in a time of peace, appropriate $2,200,000,000 in 1919, $624,000,000 in 1920, and $764,000,000 in 1921? It was easy to see that the economic effect of this vast expenditure would be disastrous, and the end of the road bankruptcy. Business was distressed, the farmers of the west were paralyzed with low prices of farm products and high taxes.

The tax-payers of the country viewed with consternation the growing appropriations for the American navy—

$137,000,000 in 1913; $143,000,000 in 1914; $318,000,000 in 1917; $1,774,000,000 in 1918; $2,222,000,000 in 1919; $624,000,000 in 1920 and $764,000,000 in 1921.

This was the background of the Arms Conference. The big four nations — the United States, Great Britain, France and Japan — saw bankruptcy right ahead if naval construction on the existing scale of wild extravagance was continued many years more. Already the nations of the world, not excepting the United States, were saturated with inflated paper money, made necessary by public and private extravagance, nevertheless disturbing to both domestic and international trade. The doctrine of preparedness, dear to the hearts of all true Americans, appeared to have overreached all bounds. If America's contributions to the "war for civilization" were to endure, the burdens of taxation must be lifted.

If the Arms Conference had done nothing more than bring about a naval holiday until 1947 (except for replacement) it would have scored a great success. The three great powers reduced their capital ships, limited tonnage of ships and the calibre of guns, thus eliminating the competition for armament. The economic consequences of this one act will be tremendous. It will save the people of these four nations about $1,500,000,000 annually, and interest amounting to nearly $900,000,000 annually. It will turn the attention of these people to the production of wealth and to trade and commerce, reduce the world's debts, restore to normal the value of the world's currency, revive international trade and help to re-establish international exchange.[1]

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[1] In October, 1922, neither France nor Italy had ratified the naval disarmament treaty, signed by the United States, Great Britain, France, Japan and Italy.

The economic consequences of the so-called four-power pact whereby the United States, Great Britain, France and Japan agree to respect the insular possessions or dominions of each other in the far east, are not so clearly defined,[2] unless the pact protects the Philippines against aggression and lessens the necessity of ships of war and armies from the United States to protect those possessions. It may be that the four-power pact will, for a time at least, be a substitute for a possible future separation of the islands from the United States. If protection of the Philippines is a burden or a peril, that burden may be lifted and the economic development of the island be advanced under the four-power pact. At all events, no other nation is likely to seize them or undertake to seize them. This is an economic gain, and a step toward peace in the Pacific.

The Anglo-Japanese alliance was an economic menace.[3] At least the United States now has an equal opportunity in the far east game, and at the same time is not unmindful of Washington's saying that "no nation is to be trusted further than it is bound by its own interests, and no prudent statesman or politician will venture to depart from it." While the United States has joined with three of the great powers to respect Great Britain's Indian possessions, and Japan's insular possessions obtained under the Versailles treaty and otherwise, nevertheless the Philippines are safe strategically, commercially and economically.

The Arms Conference made great economic strides in forcing a recognition of the political independence and terri-

[2] The four-power treaty of 1922, signed by the United States, Great Britain, France and Japan, remains in force for ten years.

[3] The Anglo-Japanese treaty of 1905, remains binding until the expiration of one year after notice of termination by either party. It guarantees the status quo of Asia including India, Persia and Mesopotamia, and gives Japan the active backing and support of Great Britain in case of war over far eastern matters. See page 162.

torial integrity of China and a better understanding of the "open door."[4] The economic consequences of this acomplishment are clear and far-reaching. It gives to China a larger and better opportunity to work out her own salvation, without the constant peril of spoliation by other and stronger countries. China has been the prey of at least four nations, commercially and economically speaking. China is rich in raw materials and natural products, and is looked upon with envious eyes by the traders of the world. The Arms Conference tells the nations of the world "hands off," "a square deal for all," "no concessions by China to any nation" and "the open door for all."

Trade with China is carried on largely by Great Britain, Japan and the United States. In 1920 Great Britain and her colonies sold China $208,000,000 in merchandise and bought $135,000,000 from her. Japan sold China $205,000,000 and bought $109,000,000. The United States sold China $119,000,000 and bought $227,000,000. The United States was China's best customer in 1920. The square deal and open door, it is hoped, has removed the peril of Japan's "sphere of influence" or Japan's "Monroe Doctrine of the far east," and gives to the merchants of the United States an equal opportunity with other nations to sell to China.

China has suffered financially and economically because she has not been permitted to handle her own tariff. In 1920 China's customs receipts were only $94,000,000 on a five per cent basis permitted by treaty nations and based on prices ruling between 1912 and 1916. The public debt of China is estimated at $1,886,641,000, of which $1,644,000,000

[4] The nine-power treaty of 1922, signed by the United States, Belgium, Great Britain, China, France, Italy, Japan, the Netherlands and Portugal, relates to the principles and policies to be followed in matters concerning China.

is foreign indebtedness. Increased import duties will bring increased revenues and help China's industries. It may not be generally known that China has cotton and woolen mills, iron and steel institutions of large proportions, also silk manufactories. The Arms Conference has started China on the road to economic prosperity, perhaps independence, provided she will establish a stable government of her own. In this, the whole world will share.

President Harding well said that "the faith plighted here today, kept in national honor, will mark the beginning of a new and better epoch in human progress." The economic effect of this faith will bear fruit only as the nations approach the problems involved from a spiritual angle. A "new and better epoch in human progress" can come only as the nations cement a material pledge with a spiritual conviction. The four-power treaty will be beneficial only in so far as the four nations interpret economic and political conditions by the sign of spiritual welfare. A limitation of armament will make lighter the burdens and sorrows of mankind only as it will bring a better understanding and a more peaceful purpose.

In his speech on the need of limitation in naval armament, Senator Borah said: "Milton with his unfettered imagination, could not picture the paradise regained should these great powers sincerely and unreservedly summon their force to this great achievement. Dante could not paint the hell which awaits an overburdened, discouraged and tortured world, if these nations turn from this task, and take up again the old, beaten and bloody paths leading to war and bankruptcy. The key to the world's peace lies here."

CHAPTER XX

The Monroe Doctrine

IT IS an open secret that since the end of the world war in 1918 a school of economic and political thought has developed insisting that the Monroe Doctrine was abandoned when the United States entered the war; or as Professor Hiram Bingham puts it, is an "obsolete shibboleth." In an address in London Ambassador Harvey, replying to certain criticisms, said that the "arms conference in Washington is no more a challenge to the League of Nations than to the Monroe Doctrine." Did he mean by this that it was a challenge to both or a challenge to neither?

Much has been written and spoken about the Monroe Doctrine. The late Edward J. Phelps, once Ambassador to England, said every leading statesman had attempted to define the Monroe Doctrine, but "no two of them agree." This may be extravagant, but certainly it is true that recurring misapprehensions as to the underlying principle of that famous doctrine have met with unfavorable comment, not to say open opposition. Is the doctrine in danger? Has it outlived its usefulness?

What is the Monroe Doctrine? Former President Taft says "it is a policy not an obligation of international law; it does not contemplate interference with the self-development of any Central or South American country; it has promoted the peace of the world; its extent is a matter of our American judgment. We are concerned that their (South American)

governments shall not be interfered with by European governments; that this hemisphere shall not be a field for land aggrandizement, and the chase for increased political power by European governments such as we have witnessed in Africa and in China and in Manchuria; and we believe such a condition would be inimical to our safety and interests . . . . It is said the doctrine rests on force. That is true, if its enforcement is resisted. Its ultimate sanction and vindication are in our ability to maintain it . . . It is a national asset . . . . . for those who would promote the peace of the world. If abandoned, a situation would be created much more dangerous to the peace of this hemisphere than our continued assertion of the doctrine properly understood and limited."

The late President Roosevelt declared the Monroe Doctrine gives the United States "no sovereignty over South America; does not prevent the collection of debts, provided there is no attempt to take over the ownership of the territory. The doctrine is not a part of international law, but a fundamental feature of our foreign policy. When we announce such a policy as the Monroe Doctrine, we thereby commit ourselves to accepting the consequences of the policy. We mean what we say and are prepared to back it up, to recognize our obligations to foreign peoples no less than our rights. It is in no wise intended as being hostile to any nation of the old world; has nothing to do with commercial relations of any American powers. It is a watchful vigilence on the part of America."

Mr. Elihu Root says: "We wish for no victory except those of peace; for no territory except our own; for no sovereignty except the sovereignty over ourselves. It (the Monroe Doctrine) is founded on the right of every state to protect

itself by preventing a condition of affairs against which it will be too late to protect itself; it does not cause the fundamental conflicts in national interests that lead to war; but secures to America important strategic advantages should it become necessary to battle for our national defense."

Senator Lodge said in 1916: "They speak of the Monroe Doctrine as a foreign policy. It is not a foreign policy; it is mere law of self-preservation. We wish to be at peace and we wish to be secure."

The two Hague agreements of 1899 and 1907 contained a reservation inserted by the United States Senate declaring against departing "from its traditional policy of not entering upon, interfering with or entangling itself to the political questions or internal administration of any foreign state, or relinquishment by the United States of America of its traditional attitude toward purely American questions." The whole world knew that this meant the Monroe Doctrine.

Has the Monroe Doctrine been extended beyond the original intention of its framers? Some say it has; and there may be ground for this assertion. It is generally conceded that Secretary of State Olney in 1895 went beyond the limit of American public opinion when he declared that "today the United States is practically sovereign on this continent, and its fiat is law upon the subjects to which it confines its interposition."

Secretary Root did much to explain the real American doctrine and to dissipate the "false conception" of that American policy. He said the mischief was done by those who could not distinguish between "clamors for national glory" and "a sense of national duty." In meeting this same situation John Barrett said in 1916: "The Monroe Doctrine is just as necessary today as in 1816; Latin America

does not object to the Monroe Doctrine but to its interpretation. If haphazard interpretation can be supplanted by responsible and reasonable judgment, the majority of arguments against it, describing it obsolete, will fail absolutely."

Perhaps the most eloquent and sane illumination of the Monroe Doctrine as understood in America, is the statement of the late President James B. Angell of Michigan University in an address at Harvard University in 1915. "Standing here," he said, "on the ground made sacred by the presence, the life, the teachings of that great Harvard statesman, John Quincy Adams, to whose matchless courage and far-sighted wisdom we owe the declaration which we all call the Monroe Doctrine, but which might more justly be called the Adams Doctrine, I for one can not understand how any American citizen, and especially how any Massachusetts man, can recall except with a thrill of gratitude and admiration, that the brave Secretary of State was able to inspire the slow-going and lethargic President to fling out the challenge of 1823. James Monroe held the trumpet, but John Quincy Adams blew the blast. The notes have never died upon the air."

The so-called Lodge resolution of 1912 declaring the occupation of any harbor or other place on the American continent for naval or military purposes constitute a matter of "grave concern," was pronounced by some an enlargement on the Monroe Doctrine. It will be recalled that an American company was about to sell a large tract of land on Magdalen bay, Mexico. Senator Knox interpreted the project "as inimical to American interests." In defending the resolution Senator Lodge said the justification is "on much broader and older ground than the Monroe Doctrine — on the accepted principle that every nation has a right to protect its own safety; and, if it feels that the possession of any given

harbor and place is prejudicial to its safety, it is its duty and right to interfere." Mr. Taft said "this is not an enlargement of the Monroe Doctrine; it only calls special attention to an indirect way by which it can be violated." In this connection it is interesting to recall that Professor Hart says "the Monroe Doctrine is as good against Asia as against Europe." However, the Lodge resolution caused a stir, particularly in the Orient and the far east.

Thus the Monroe Doctrine, up to the close of the world war, was a bulwark of American independence. It was a part of the great doctrine of self-preservation. In times of international strain, America has turned instinctively to it as the basic principle of our foreign policy. It came down from Washington's farewell address and Jefferson's "no permanent foreign entangling alliances." Its mission has been "the protection of American interests" and the "keeping alive the flame of liberty."

While there have been differences as to the doctrine's applicability to different situations, there can be little doubt that America has always regarded a palpable violation as an unfriendly act. It has saved America from the dangers menacing the destiny of the United States. Around it has been woven historic glamor, American idealism and pride of achievement.

Has the world war and its results changed all this? Are we facing the abandonment of the Monroe Doctrine? Are the problems of the far east — the "open door" and "special Japanese interests" threatening the American doctrine? Are we willing to act west as we require others to act east of us? Is the "open door" a contradiction of the Monroe Doctrine, as some claim? These are important and vital questions. What is the setting of the picture today?

In September 1899, Secretary of State John Hay sent instructions to the six nations having special interests in China obtained by treaty and lease, urging mutual co-operation (1) not to interfere in any treaty port or vested interest within any sphere of influence or leased territory; (2) agreeing to no tariff discrimination; (3) no discriminating harbor dues or railroad charges. Its purpose was untrammeled development of commerce and industry in the Chinese Empire. All the nations agreed to this "open door" policy. Secretary Knox's failure to secure international neutrality of the Manchurian railway suggests that the "open door" was shut, often.

The "open door" commercially dates back more than a century, to the days of "clipper ships" and tales of oriental riches. This was in 1784. In 1898 Europe entered the field, then Japan, and today the "Monroe Doctrine" and the "open door" stand face to face. Japan obtained Korea, and now with Shantung, has what she calls a "sphere of influence." Under the terms of the four-power treaty Japan agreed to retire from Shantung; but the spirit of her "sphere of influence" remains. On the other hand the United States maintains that the "open door" simply means equal opportunity under the "most favored nation" rule. It is denied that America is the god-father of China, but is endeavoring to preserve the independence and integrity of that power, and her safety from partition after the manner of Poland. It is claimed to be purely altruistic and economic.

Japan's original program, apparently, was revealed when Former Secretary of State Lansing appeared before the Senate Committee on Foreign Affairs in July 1919, and illuminated the Lansing-Ishii agreement of November 1917. Mr. Lansing explained that the agreement was made "to

reaffirm the open door policy on the ground that reports were being spread as to the purpose of Japan to take advantage of the situation created by the war, to extend her influence over China — her political influence."

Mr. Lansing testified that Viscount Ishii suggested the use of the words "Japan's special interests" in the far east, and urged that there should be a "Monroe Doctrine for the far east." Mr. Lansing admitted that he feared Viscount Ishii and Japan understood "special interests" to mean "permanent interests." In his note to the Japanese Ambassador, Mr. Lansing stated "the United States recognizes Japan has special interests in China."

The colloquy between Mr. Lansing and several Senators on this delicate and important matter is interesting and illuminating It reveals Japan's state of mind concerning the American doctrine and a possible "Monroe Doctrine of the far east."

Not entirely disassociated with this matter was the famous Anglo-Japanese treaty,[1] under the terms of which England and Japan agreed to go to each other's assistance "if an unprovoked attack or aggressive action on either occurs." In case of a war on either by a third nation, England and Japan "will conduct the war in common and make peace in mutual agreement." The avowed purpose of the treaty was "the consolidation and maintenance of peace in eastern Asia or India." England had Japan's support in India and Japan had England's offensive and defensive backing in the new relations which Japan occupied toward Asiatic countries. This alliance was viewed as a menace to American interests and possible fertile ground for the growth of a Monroe Doctrine

[1] See page 153.

of the far east followed by the dominance of Japan on the Pacific. The Anglo-Japanese treaty was supplemented by the four-power treaty under the terms of which the United States joins with Great Britain and Japan to mutually maintain and protect existing political and territorial conditions among all the islands of the Pacific owned by the four powers. This is the delicate situation involved in the far east problem. Opinions differ as to whether the four-power treaty is a benefit or a detriment to American interests, whether it points to peace or war. Time alone will tell.

Obviously America must enforce the Monroe Doctrine or abandon it. Abandonment seems impossible, at least unpopular. Such a course would arouse public sentiment as it was aroused in 1919 when the doctrine was overlooked in the original draft of the Covenant of the League of Nations, and protected in a half-hearted way after protests from patriots.

Can a Monroe Doctrine of the far east exist in harmony with the policy of the "open door?" Japan is a member of the League of Nations which guarantees against "external aggression, the territorial integrity and existing political independence of its members." Will this be the Monroe Doctrine of the far east and will it be upheld by the European and South American members of the League? Will it serve Japan's purpose?

What will be America's attitude in such a situation? Is the American doctrine in danger in the face of present problems? Will it give way to what Former President Wilson at Mobile in 1913 called "a spiritual union?" Will the moral factors which have sustained the Monroe Doctrine in the past be sufficient to sustain it in the future? Is it true that the doctrine is as strong as our army and navy? If so will it

disappear if our army is reduced below that of other powers, and our navy is scrapped? Will national disarmament mean the death of the Monroe Doctrine? These are questions the future must answer.

CHAPTER XXI

Why Political Parties?

IT CAN not have escaped the attention of observant citizens that an ever-increasing wave of "non-partisanship" is sweeping over the country. It is the reflex action of "internationalism," and has confused American political thought and threatened the continuance of political parties; it has imperiled the national barriers of protection.

Everywhere the question is raised by these "non-partisans: "Why do we have political parties?" "Are they necessary?" "Are they not more injurious than beneficial?" "Can not the welfare of society be promoted better without them?"

It is well known that in all "civilized" nations there are two great political parties. Their essential difference is the same everywhere. Both have their origin in the two fundamental tendencies of mankind—the one to improve what is, the other to preserve what is. Both are essential to sane and safe progress, for progress among men as well as among nations moves onward midway between the two extremes of construction and destruction. Life is both constructive and destructive, and what endures is the resultant of these forces. In the department of life we call social and political, the same rule pertains. Progress in political organizations is the result of an irrepressible conflict. This conflict germinates political parties; and in all countries they are known as "progressive" and "conservative."

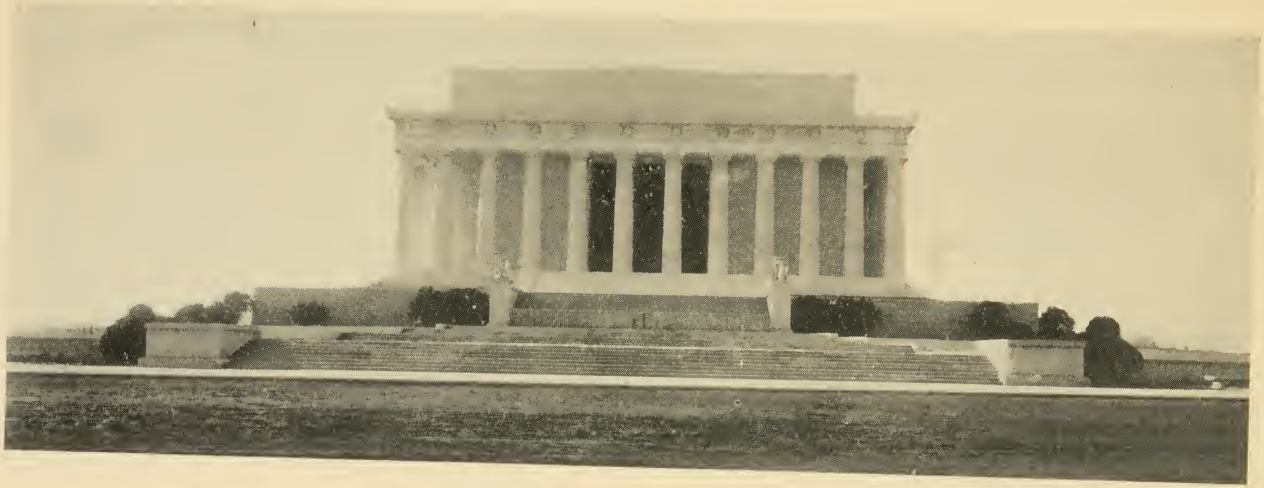
They stand for the two opposing forces or principles at work always.

It is unnecessary to devote space to prove that in all ages and in all social organization, humanity has progressed along differentiating lines. Mankind has advanced because of fundamental differences. Separation has been the moving force of the world.

When the colonies separated from Great Britain, there were two great political parties in England — Whig and Tory. It was perfectly natural, nay necessary, that the colonists should divide in their political thought and opinion along the lines laid down in the countries from which they came.

Back of the gigantic struggle between Hamilton and Jefferson were two great principles — principles upon whose correct interpretation and development were to depend the existence and the welfare of the Republic. Both of these great men were party men, and it was fortunate they were; otherwise they never could have brought the new nation to a full realization of the far reaching principles involved—principles which were thought settled in 1865, but which reappear even now.

Hamilton was a firm believer in political parties. In the Federalist (No. 26) Hamilton said: "Parties must exist in all political bodies and are of great service in attracting public attention whenever the majority or the opposition appears disposed to exceed its proper limits; so that the people warned of the danger may take measures to guard against it." To Hamilton's genius for government and clear insight into the purposes of the Constitution, the people of the United States owe a debt of gratitude they



Lincoln Memorial, Washington, D. C.

can not pay. Yet Hamilton would have failed but for the cohesive power of party.

Thomas Jefferson was even more strongly a party man. His great principles embodied in the Declaration of Independence never would have been vitalized without the instrumentality of party. In his voluminous correspondence may be found these sentences: "I am no believer in the amalgamation of parties, nor do I consider it as either desirable or useful for the public. Parties are censors of the conduct of each other, and useful watchmen for the public. In every free and deliberating society, there must, from the nature of man, be opposite parties. Wherever there are men, there will be parties; and wherever there are free men they will make themselves heard. Where the principle of difference is as substantial as in this country, I hold it as honorable to take a firm and decided part, and as immoral to pursue a middle line as between the parties of honest men and rogues, into which every country is divided."

In laying the foundation for the government of an empire, diversity of views would be expected. Influences were everywhere at work creating opposing forces. The Government was organized on a plan novel in character and well calculated to create diversity of opinion relative to the details of its administration. Parties came and disappeared, but the great underlying principles which brought them into being, remained.

The constant ebb and flow of public opinion as expressed in parties made possible the survival of what was best for all—what was needed to promote the highest welfare of the country and the well-being of the people. Even Andrew Jackson's appeal "to destroy the monster party" was

followed by his removal of all Federal office-holders and the appointment of Democrats. Nevertheless Jackson, although inconsistent, was a party man, and as such was able to denounce nullification and declare for a strict obedience to Federal law. He was a nationalist to the marrow.

The enemies of political parties not infrequently point to Monroe's "era of good feeling" as proof that parties are not necessary. Yet this era did not witness the disappearance of parties. Interests of national magnitude were incubating, all evolving a difference of opinion which resulted in the reorganization of parties and the mightiest political party struggle the nation ever saw. The shifting springs of public thought and opinion brought forth new alignments, new parties. The demands of people created new leaders, new parties.

It is strictly true that the nation could not have been saved from disunion except by the spirit of party. The cohesive patriotism of the times necessarily resulted in a new party on the one side, while the fixed boundaries of another line of thought made more stubborn a party on the other side. It was a tremendous sacrifice of life and treasure, yet "the irrepressible conflict" and the triumph of the Union completely justified parties.

Webster rose to the sublime heights of partisanship in 1830 when he said: "I am a Unionist, and in this sense a National Republican." He struck the highest note of patriotic partisanship when he said in reply to Hayne: "Liberty and Union, now and forever, one and inseparable."

Lincoln was eminently a party man. In his speeech at Springfield, Illinois, on June 16, 1858, he said: "Our cause must be intrusted and conducted by its own undoubted friends. Two years ago we formed and fought the battle

through. Did we brave all to falter now? The result is not doubtful. We shall not fail."

Lincoln stood on and was elected on a platform which declared that "the last four years have fully established the necessity of the Republican party." Lincoln appealed to and won through, the party spirit.

S. S. Cox, for many years a leading Democratic member of the National House of Representatives, devoted a whole chapter in his book "Three Decades" to " party creeds and modes."

Cleveland, twice President of the United States and a patriotic American citizen, was a pronounced partisan and party man. Among his speeches may be found the following sentiments: "Interest yourselves in public affairs as a duty of citizenship. I am very much pleased to learn that the League of Democratic clubs in New York intends to make the organization permanent agencies for spreading and illustrating the doctrines of the Democratic party. Parties are but the instruments through which the people work their will. The time-honored doctrines of the Democratic party are real to me." "I am a Democrat," the words he spoke at Albany, July 29, 1884, left no doubt that he was a party man.

Garfield was a strong party man and a proud patriot. Among his many brilliant sayings may be found these: "Political parties, like poets, are born, not made. While it is true that no party can stand upon its past record alone, yet it is also true that its past shows the spirit and character of the organization, and enables us to judge what it probably will do in the future. The Democratic and Republican parties are examples of the genuine and natural method of organized political parties. Organizations may

change or dissolve, but when parties cease to exist, liberty will perish. The thing most desired is not how to avoid the existence of parties, but how to keep them within proper bounds."

Blaine, McKinley and all the great leaders of public thought in their day, were strong party men. The two most prominent witnesses to summon in defence of the spirit of party and in opposition to the prevailing wave of "non-partisanship," are former President Wilson and the late President Roosevelt. From the two leading representatives of the two leading schools of political thought, from the political antagonisms of that period may be gathered powerful lessons. In his treatise on "Constitutional Government" Woodrow Wilson says: "They (political parties) are absolutely necessary to hold the things (in the government structure) thus disconnected and dispersed, together, and give some coherence to the action of political forces. That exterior organization is the political party. Parties get their coherence and prestige, their rootage and solidarity, their mastery over men and events, from their command of detail, their control of the little tides that eventually flood the great channels of national activity. Whatever their faults and abuses, party machines are absolutely necessary under our existing electoral arrangements."

In his work on "Congressional Government" Woodrow Wilson says: "It seems to be unquestionably and in a high degree desirable, that all legislation should distinctly represent the action of parties as parties. I know that it has been proposed by enthusiastic, but not too practical, reformers, to do away with parties by some legerdemain of governmental reconstruction, accompanied and supplemented by some rehabilitation of the virtues least commonly controlled

in fallen human nature; but it seems to me that it would be more difficult and less desirable than these amiable persons suppose, to conduct a government of many by means of any other device than party organization."

In his book on "American Ideals" the late Theodore Roosevelt said: "A machine politican really desirous of doing honest work on behalf of his community, is fifty times as useful as is the average philanthropic outsider. No good work can be done without an organization. Under the American system it is impossible for a man to accomplish anything by himself; he must associate himself with others, and they must throw their weight together."

In his address before the Republican National Convention at Chicago, on June 21, 1904, Elihu Root said: "The practical governing instinct of our people has adopted the machinery desired, by the organization of national parties. In them men join for the promotion of a few cardinal principles upon which they agree. The people do not choose between men; they choose between principles—between the principles they profess. A great political organization is a growth—with traditions and sentiments reaching down through struggles of years gone."

Woolsey, the great Constitutional authority, says: "Our parties were the results of our Constitution and the great differences of interests. The Federal Union needed all the energy and ability lodged in the upright Federal party."

Francis Lieber in his work on "Civil Liberty," says: "The majority is protected by the principals of parties—or government by party. Those who agree on the most important principles will unite and must do so in order to be sufficiently strong to do their work. Without party administration it is impossible that the majority should rule.

Liberty requires a parliamentary government, and no parliamentary government can be conceived of without the principle of party administration."

Francis Curtis in his history of the Republican party says: "They (the people) have believed they could best serve not only their party's but their country's best interests by remaining true partisans. A man can not reform a party by working outside. Party organization and party leadership must and will continue."

To say that the great issues of the day "transcend political parties" is to admit the impotency of Government and the failure of a representative Republic. The greater the issues the greater the necessity of political parties. It is the only method of co-ordinating and vitalizing any great issue. It is the way to give expression to public thought and translate that thought into action.

Let us apply the principle of "non-partisanship" and "no parties" and see how it would work. Article II, Section 3 of the Federal Constitution as originally framed, provided that each state shall appoint the electors and that the electors shall meet and vote for two persons. The person having the greatest number of votes shall be President "provided he shall have a majority of the whole number of electors." After the choice of President, the person having the second greatest number of votes of the electors shall be Vice-President.

The danger of electing a President and a Vice-President of two different parties, caused the Jefferson party in 1802 to put through an amendment to the Constitution (Amendment XII) to provide that the electors should vote for one man for President and another man for Vice-President. Party development dictated this.

Suppose all parties and party conventions were abolished. Presidential electors must be chosen. How? "In such manner as the legislatures may direct." There might be 48 different methods. How would it be possible for the electors to agree upon candidates? How could the electors give a majority of their votes to any one man? Such a plan would be impossible of operation. It would result in chaos. It is clear there must be some preliminary machinery to concentrate public opinion and action.

Admitting the need of majorities, there must be minorities. To ascertain what is the majority and what the minority, there must be conventions and primaries. They are essential parts of self-government — of representative Republics.

To plead "neutrality" and "non-partisanship" is to occupy a wholly false position, to invite political and governmental disorganization. It is the weapon of those unable to comprehend the genius of American institutions, unwilling to perform their civic duties, and unworthy any great trust.

If there ever was a time when political parties were needed, it is now. Partisanship is the only pathway to social unity and national safety. A man or woman without a party is like a man or woman without a country. It is not so much "what" party as "some" party. A neutral is not only negatively useless but positively dangerous. The men and women who have built America have recognized the necessity of political parties and acted through them.

While it is true that a political party has no charted rights and can not gain the right of way, it is true also that the civil obligations of the citizen to his country can be exercised more effectively through a political party. Such an organization is for the public good and the general welfare,

otherwise it has no excuse for existence. Political parties must represent great principles, else they are built upon the sand. They are outside the Constitution and wholly voluntary, a body of men and women united for promoting some particular principle to which they are all agreed.

Is party government breaking down? If so there is peril right ahead. Pure democracies have been tried and found wanting. A representative Republic like the great American experiment, occupies a middle ground between an autocracy or oligarchy on the one hand, and a pure democracy on the other. Political parties are the machinery required to make not only a Republic but any civilized nation, function.

The system of political parties is a growth, an evolution. It has its weaknesses but will remain until something better is devised. Often parties are abused by unscrupulous leaders, and lose their moral and spiritual power. The Whig party collapsed because its leaders compromised with a great evil, and failed to vision a vital and spiritual issue. If the great political parties now living, disappear and die, it will be due to their loss of moral and spiritual principles. But other parties will rise to take their places, for political parties are essential to the life of the Republic.

The independent or "Mugwamp" in American politics first appeared in 1872. It is an Indian name and signifies "chief or great man;" and in 1884 was applied in derision to those who refused to vote with their party. However high-minded independents may be, they accomplish little; in fact, usually accomplish the very thing they are fighting, the triumph of their ancient political enemies. As in religious, educational and all other human organizations, so in political organizations, the only effective reform usually must be wrought within the organizations themselves. There are ex-

ceptional cases, arising out of great crises when an entirely new party is the only alternative.

It is useless for independents or so-called "Mugwamps" to find fault with our present party system, with public officials, and at the same time refuse to vote either in a caucus, primary or an election. No government can rise higher than its source, the people. If the people neglect their civic duties and evil follows in party and national life, it is the fault of those who fail to vote. The independent or "Mugwamp" is a useful citizen only as he performs his civic duties and acts collectively with his fellow citizens.

If the party system is at a low level, if national legislation is not up to a high standard, the fault is not with the primaries, not with the party system, but with the right-thinking, high-minded and intelligent voters who either fail to vote or take no part whatever in public affairs. Our party system is essential and will endure. It will bring good or evil in proportion to the intelligent and unselfish interest the voters themselves show in the great task of self-government. So-called "non-partisanship" is a snare and a delusion, will result in evil days and national decay. A "non-partisan" is a "non-American;" and a "non-American" is an undesirable citizen. America will wax strong under intelligent and broad partisanship, or grow anaemic under flabby "non-partisanship." Moral and spiritual power come only to those whose vision is on the hills.

CHAPTER XXII

Congress

IT IS significant that of the three branches of the government enumerated in the Federal Constitution, the first mentioned is the legislative branch. "All legislative powers herein granted" recites the very first section of that immortal instrument, "shall be vested in a Congress of the United States, which shall consist of a Senate and House of Representatives." Then the instrument outlines the machinery of and qualifications for both houses, until section eight is reached reciting in eighteen sub-sections, the specific powers of Congress. Section nine recites certain prohibitions against Congress, while section ten recites a few prohibitions against the states.

Answering many of the objections raised to the proposed election of representatives, a writer in the Federalist made these wise observations: "The persons who shall be elected representatives must have all the inducement to fidelity, vigilance, and a devotion to the interests of the people, which can possibly exist. They must be presumed to be selected for their known virtues, and estimable qualities, as well as for their talents. They must have a desire to retain and exalt their reputation, and be ambitious to deserve the continuance of that public favor by which they have been elevated. There is in every breast a sensibility to marks of honour, of favor, of esteem, of confidence, which apart from all considerations of interest, is some pledge for grateful and benevolent returns." This faith was well-founded.

Theoretically, the Senate has been "a most important and valuable part of the system, and the real balance wheel which adjusts and regulates its movements." Furthermore it is significant that in the Federal Constitution the House of Representatives is mentioned first. Congress was the name adopted to mark the two branches of the legislature, which were named the "House of Representatives" and the "Senate." After years of experience and history reference, many today do not distinguish between the word "Congress" and the words "House" and "Senate." A member of either the House or Senate is a member of Congress; but to say that a person is "a member of Congress" is to fail to distinguish between the two branches. Officially, a person is either a "Representative" or a "Senator."

No subject has been more discussed and adjudicated than the "powers of Congress." The interpretation of the Constitution in respect to these delegated powers was far more important than the Constitution itself; and it was fortunate that the early decisions of the Supreme Court Judges, especially John Marshall, laid the foundations broad and deep.

When we take a survey of the century and a half, nearly, covering the life of the American Congress, we are amazed at the wisdom, the patience, the vision of the leaders in the halls of legislation. Out of the clash of sectional jealousy, of selfish interests and personal ambition, there comes a clear outline of the purpose of the actors in that great national drama. "Liberty" and the "people" were the two words with which they conjured; and Congress, more especially the House of Representatives, was the hope of all. It is very doubtful whether the framers of the original Constitution ever dreamed of the changes time and experience would work in magnifying the power of the courts and the executive.

Congress was the central thought upon which public attention was riveted.

Fundamentally, Congress was intended to be the corner stone of the Republic. It was, as one historian says, "meant to be a reformed and properly regulated parliament." But soon it was more than that; it was the key to the whole arch, checked only by the Supreme Court of the United States; and even there, many contended, and contend today, that the judiciary has usurped the power and authority of Congress.

Possessing such vast powers, Congress drew to itself strong men in both branches. It was an honor to be chosen to either branch, and in the early days a higher honor to be chosen a Representative, manifesting popular favor and supreme intimacy with the people themselves. In the minds of the people jealous of their rights, the Senate was looked upon as somewhat removed from popular sympathy, and, in a measure remote from the heart of things. It was viewed rather as a counselor of the President, the source of wisdom in a mysterious cloister. In the early days a "Member of Congress" was a member of the House of Representatives only; Senators belonged to a distinct and separate organization. This idea pertains somewhat now.

The Senate represented states, and there was much jealousy between the large and the small states. The House of Representatives, stood for numbers and population, and all communities or districts had power in the House by reason of the "strength of numbers." Here the individual was on an equality and liberty had a square deal, according to the popular notion. It was a representative form of government, dignified and somber in the Senate, rapid-firing and intensely human in the House of Representatives.

For more than a century the power of Congress within

its Constitutional limitations, was supreme. Its record was brilliant and unique in the annals of time. A search of the records from the first Congress to the end of the Civil War, reveals a period of intellectual and national development dominated by Congress. The powerful debates in both branches, the clash of opinions presaging the clash of arms, told of the irrepressible conflict staged in the halls of legislation. Congress was the first battle-ground, and Congress was the last, even after Appomatox. Congress was the scene of reconstruction, the background of a reunited Republic. From the close of the Civil War, Congress was the arena of mighty intellectual gladiators. There were the battles of political parties, of principles also. It was an honor to fight on either side; it was an honor to be a Representative or a Senator.

Now come those who talk of "The Decline of the American Government" and gradual weakening of the Nation's governmental structure by an undermining of the Constitution and sweeping away of party responsibility. Is it true that "in the public mind the legislative branch of our national government probably never has been at lower ebb than it is today?"

While it may be a popular fad to find fault with and criticise Congress, the habit is not new. It began with the first Congress, and has continued ever since. In a democracy or rather a representative Republic, it is natural to throw bricks at our public officials. This unfortunate pastime, however, is not confined to the United States; it prevails wherever there is a government of men. It arises both from party strife and that human weakness known as jealousy. This habit does not appear to be sufficiently serious, however, to warrant the conclusion that the pillars of the Republic are falling.

Is there a growing tendency to weaken the Constitution

by electing Senators by a popular vote, or nominating both Representatives and Senators by primaries? This is a matter for debate, upon which much may be said on both sides. The people have amended the Federal Constitution so that all Senators are now elected, not by the legislatures of the states, but by popular vote of the people. Obviously the cause was the apparent abuse of legislative elections. It was claimed that money and corruption characterized elections of United States Senators by legislatures, and that the system weakened state legislatures by determining the selection of legislators not by ability and fitness but by loyalty to a certain candidate for United States Senator. Whatever truth may lie in this indictment, the fact remains that now under a popular election system, none but the very rich can possibly be candidates for Senator. If a poor man starts in the race, it is morally certain he has a rich man or men back of him. No law can effectually put a stop to the expenditure of money; yet the people will not discard the primary system. If Congress has deteriorated, it is not because of the primary system.

From all indications the "initiative and referendum" has not materially weakened the American system of government, because it has not been tried to any extent. Obviously the people as a mass can not legislate; it is not practical. A referendum, however, is practical and is tried repeatedly in business as well as political organizations. The alleged "decline of the American government" is not due to either the initiative or referendum.

There is some truth in the charge that the country and Congress are drifting into "blocs" or groups measured by callings or respective material interests. This is really the soviet system, and will, if persisted in, undermine government by parties. It should be apparent to all observers that the

American government must be run by political parties and by political party responsibility. Nor does this party responsibility end with Congress; it enters the executive departments to a very large degree, if there is to be harmony between the legislative and executive departments. This is why Civil Service has a limit, and should be confined to clerical positions only. Policies are shaped by parties in Congress, or should be; and the execution of those policies in the departments should be in sympathetic hands.

If there is a tendency towards a breaking down of government, it is largely due to the breaking down of party solidarity and responsibility. The so-called independent and "non-partisan" is responsible for this, primarily. When Congress is controlled by a political party, it can not function properly if its program is shaped and dominated by a number of "non-partisan experts" in the departments and elsewhere outside of Congress. In recent years Congress has created a number of bureaus or independent departments presided over by so-called specialists and experts. Often these people are theorists entirely unfamiliar with the practical side of business. Members of Congress not infrequently are flooded with "expert information" until they are blinded, lose sight of the principle and forget the responsibility they owe to their party and country. The result is that the government is run by bureaus and independent organizations, with no responsibility to the people. Often members of Congress are robbed of their legislative independence of thought and action, by irresponsible outside agencies.

If Congress has lost any of its former prestige it is due also to the fact that "non-partisanship" has taken possession of so many of our citizens. Nothing will so readily wreck our government as non-partisanship carried to its logical

conclusion. It has obsessed many of our departments and bureaus, and is getting under the skin of Congress. No member of the House or Senate can do good work, unless fully aware that he is backed by a solid party organization or a majority, and can secure party loyalty. This non-partisanship goes back to the district or the state from which the legislator comes, disorganizes the machinery of the party, discourages active workers and makes the life of a Congressman uncertain and miserable. How can a constituency or the people expect a Congressman to act rationally and intelligently, if his people fly off into "non-partisanship" and do not know what they want?

Since the close of the world war, so many problems have come to the front as to confuse if not blind the people, and consequently Congress. The business of Congress is the most complicated and vast of any business in the world. It touches all sorts of subjects and at every angle. It is impossible for a member of the House or the Senate to keep in intimate touch with all subjects. He must confine himself to one or two, and master those. The result is that influential men become specialists. This tends to make them narrow, giving the impression of incompetency.

Furthermore, there are so many members of the House, and so many varied subjects, that a steering committee is required to map out the program and limit debate. This steering committee is all-powerful. It is composed of a few men, including the Speaker, who dictate the subjects to be taken up and the time to be devoted to discussion. Thus the average member, whatever his ability may be, has no opportunity to debate or discuss. Real serious debate, as of old, is rarely if ever seen in the House of Representatives. This gives the

impression that there are few if any men of outstanding ability in the House.

On the other hand, the Senate, with unlimited debate, is the endless talking machine of Congress. It is deliberative to the limit, thus often ineffective from the popular point of view. But even in the Senate, only a comparatively few men participate in debate and a few lead, because the program is controlled by a steering committee. It must be admitted, however, that often debate in the Senate reaches a high level of literary and forensic attainment, not unlike the debates of long ago.

Is it fair to charge Congress with failure to function, and members of the House and Senate with incapacity, when the real trouble is an attempt to break down party solidarity and party responsibility? There are many men of great ability in both branches of every Congress, who have no opportunity to show what they can do, because of the "non-partisan" obsession beginning back home and ending in Congress and many of the executive departments.

In the days when Congress was a power, and a member of Congress was a badge of honor, there was party solidarity and party responsibility. Every big national question was a political party question, and members of Congress stood or fell on fundamental party questions.

It is a serious question whether the departure from the old days of Reed and Cannon, when the Speaker was powerful, and when there was party and individual responsibility, has been an improvement. Since those days, the Speaker has lost his power or much of it, no longer helping shape the national program, while the President has individually and personally entered the sacred precints of Congress and taken charge of legislation, to a large degree. Obviously this tends

to lower the prestige, the dignity and the morale, of Congress.

Historian Woodrow Wilson says in his "Constitutional Government:" "The House seems to have missed what its average capacity and its undoubted integrity entitles it to, the chief privilege of giving counsel to the nation, the right to be its principal spokesman in affairs. . . . . It has forfeited the much higher office of gathering the common counsel of the nation and mellowing the tremendous, the governing and sovereign power of criticism."

The intellectual level of Congress will be no higher than the intellectual level of the people who send the members to the House and Senate. It is hardly fair to say that this level has declined because certain incidental changes have been made in the method of selection. There is just as large a percentage of brilliant members in Congress today as ever; but because of the system in vogue, the scattered responsibility and increasing "non-partisanship," there is no opportunity, no spot light in which the individual member may shine.

There is no "Decline of the American government," only a decline of party spirit, party responsibility and party efficiency.

After the adoption of the Federal Constitution, some one asked Benjamin Franklin: "Doctor, have you given us a Republic or a Monarchy?" Franklin replied: "A Republic, if you can keep it." Have we kept it? If not, why?

CHAPTER XXIII

What is Democracy?

IN AN admirable and patriotic address in the United States Senate on "Peace by Compromise," Henry Cabot Lodge said: "We intend to make the world safe for democracy. But what exactly do we mean by democracy?"

This is a question saturating the minds of serious and thoughtful people who care less for politics and more for country. What is meant by the phrase "making the world safe for democracy?"

There is no word in the English language more misused and misunderstood than this much-abused word "democracy." Born in ancient Greece, it has come down through the ages as a shibboleth of the self-seeking and a talisman of the unscrupulous. A synonym of the age-long struggle of humanity toward what we call civilization, it has well-nigh degenerated into a hackneyed word where familiarity breeds contempt, almost.

Solon's democracy in Greece was a failure, ending after thirty years of strife, in a tyranny more pronounced than ever. Solon's theory was admirable but his machinery would not work. However, out of the ruins came one good thing, namely an inspiration to a national spirit embodied in military glory. Thermopylae and Salamis will stand forth always as glorious achievements of democracy.

Pericles, a child of democracy, was a wise autocrat and shrewd statesmen. He carefully concealed the weakness of democracy under the cloak of his own unselfishness.

Deposed, he was a victim of his own democracy. The age of Pericles was renowned not because of democracy, but because of the character of Pericles. At his death, political and social disease wrought havoc. Democracy was condemned; Solon and Pericles denounced. Socrates was the product of democracy, yet he was the victim of his own philosophy of government. In short, all the experiments in various degrees of democracy were tried at some time in ancient Greece; and the Hellenic Empire fell a victim to Rome.

At the height of its glory, when the legions of the Caesars stretched from Jerusalem to Britain, the Roman people never enjoyed the "blessings of democracy." Viewing the ruins of Hellas, the Romans did not believe in democracy. Unbridled democracy derives no comfort either from Athens or from Rome. Nor did the Reformation, a Parliamentary government or a Republic in the western hemisphere, have their origin in democracy. Personal liberty from tyranny in all forms was the moving cause.

The Continental Congress was purely representative. There was no thought of democracy. The Revolution was fought not to establish democracy, but to establish liberty from foreign political and commercial oppression. Thomas Paine, who in 1776 turned the scale in favor of the independence by publishing his "Common Sense," said not a word about democracy. Independence was the central and controlling thought. The Declaration of Independence says nothing about democracy; in fact the word does not appear in the entire document. The original Articles of Confederation said nothing about democracy.

When the Constitutional Convention met in Philadelphia, three facts loomed high and clear: First, a democracy

was never thought of or suggested; Second, a representative Republic was essential; Third, a strong and powerful central government was necessary. Throughout the debates, there was no suggestion of a democracy. The thread of a Republic ran through the warp and woof of the entire instrument. The word "democracy" does not appear in the Federal Constitution. The first article and fourth section of that document recites: "The United States shall guarantee to every state a republican form of government."

Therefore from the days of Athens in all her glory to the hour when the Federal Constitution was framed, more than twenty centuries, democracy never prevailed successfully. Political and civil liberty advanced tremendously, but always through the instrumentality of representative government, and the extension of the right of suffrage. The English Reform Bill of Rights gave universal suffrage, but it did not make England a democracy. Popular sovereignty and universal suffrage in America does not make America a democracy. The checks and balances, the entire electoral system, run counter to a democracy. The steadily widening functions of the Federal government indicate a purpose to check the evils of too much democracy. The United States is, and always was, a Republic, not a democracy.

The French Revolution and immigration to the United States marked the beginning of the modern idea of democracy in America. Jefferson's party was called the "democratic party" in derision, for alleged sympathy with the French revolutionists. From that day to the present, America has been the scene of political and social controversies between factions, the one clinging to the form of representative government, the other seeking political power

under the cloak of democracy. The great issue evolved into a struggle between national rights and state rights. This clash continued until the close of the Civil War, which should have settled the question finally whether America is a Republic or a democracy; but it did not.

In recent years the word democracy has taken on an entirely new and manifestly exaggerated meaning. In popular parlance, it has suddenly become the key to humanity's progress and the only hope of the world. The magic word "democracy" is brought forth on the lips of master magicians, and employed to fire the imagination of the unthinking. The cap-stone of this gorgeous structure is the phrase, "To make the world safe for democracy." It set in motion political, social and economic forces that, if unchecked, may lead to serious difficulties, if not disaster.

What is meant by "democracy" in the popular interpretation and in the public mind? Why is the word "democracy" so frequently and so loudly proclaimed to the populace? There is only one explanation — politics. The United States did not enter the world war "to make the world safe for democracy," but to save the United States, politically, economically and nationally. The struggle of the human race has always been for more liberty and less tyranny. Germany desecrated American sovereignty, destroyed American lives and defied American authority. This meant a return to tyranny, hence the United States was forced to fight. Democracy had nothing to do with it.

All the forces of disruption, all the isms and experiments long since tried and exploded, all the nostrums suggested by political quacks, have been trotted out under the shelter of "new democracy" and "new freedom." Is it not time for the Nation to stop, look and listen? Has not the hour

for sober reflection arrived? Powerful forces are at work to bring about what is called "political, social and industrial democracy." If by political democracy is meant universal suffrage and participation in public affairs, we have it already, but in the form of a Republic, with representative machinery. If by social democracy is meant social equality, we should dismiss the thought, for such a thing is impossible in any nation or organized society. No frame-work of government, no law or fiat, can force equality of brains, culture, manners or blood. If by industrial democracy is meant the ownership in common of all the industries of society, and equality in the rewards of toil, it has been tried and failed.

Powerful forces backed by numbers have been set in motion by the careless and too-frequent use of the word "democracy." They may overwhelm the Republic if sober instruction and education are not undertaken at once. These forces are all linked together in a wild endeavor to bring about the millenium. We had a "social democracy" when the Federal government operated the railroads, the telegraphs, the telephones, the express companies, shipbuilding and many other private undertakings. All proved expensive failures, and the people are staggering under a mountain of debt and taxation due to these experiments in "social democracy."

Now we have the irrepressible conflict between what is called "labor and capital," and between "union and non-union labor." During the world war, the Chairman of the National Labor Board wrote: "We are no longer looking with the same capitalistic eyes that we used to. Labor is no longer a commodity to be handled in that way. We have made the discovery that labor is the flesh and blood of America . . . Labor will master the world." This same Board laid down

a national labor policy permitting collective bargaining,[1] which in practical operation means the closed shop. Organized labor is in a mighty, a bloody, struggle, to hold what it gained under the regime of the National War Labor Board. Apparently organized labor seeks to master the government in the name of democracy. This is what the leaders proclaim, even though the struggle be at the expense of law and order. They forget that force invites force; and the force behind government is irresistable in the end.

A part of the program of "modern democracy" is a proposal to enter some sort of a society or association of nations "to maintain peace." It is said that the United States has outgrown its nationality, and that its destiny is in a new democracy of the world. Is this the democracy we desire? Must we surrender our national spirit and lay it on the altar of "new freedom" or "modern democracy?" Have the struggles and sacrifices of our forefathers been in vain? Is the destiny of the United States to be determined by a society of nations?

This Republic of ours is passing through a critical period, but it is still a Republic, not a democracy. It must remain a Republic if it is to survive. Yet a Republic can and will do justice to its citizens, reward all for services rendered, and correct evils as rapidly as possible. No society of men and women, no human government, is or can be perfect; but it is folly to burn the whole structure in order to mend a leak in the roof.

[1] There are two interpretations of the words "collective bargaining;" one a bargain with the employes in any individual institution, another a bargain with distant agents, representatives or delegates of a certain craft. Every national conference between employers and employes since the world war, has split on the latter interpretation. Employers would not recognize the latter, but would the former. Organization but not dictation of labor, co-operation with no control by labor, seems to be the point of view of the employers. The wisest leaders of organized labor advise against all forms of force. The problem seems to be one of spiritual righteousness and toleration, rather than law.

Democracy is not defiance of law and order. Liberty is not license. No fragment or segment of the people is greater and more important than the whole. Lynch law is wrong whether applied to one person or to the whole population called the government. It is just as wrong to murder a Republic as to murder an individual. Law and order will correct a social and industrial wrong far more quickly and satisfactorily than guns and clubs and rocks. Illegal force weakens a mob and does not correct the wrong.

Democracy rightly understood and interpreted and applied, is the friend of the weak, the oppressed and the unfortunate. Misinterpreted and distorted it is as destructive as the lightning or the torrent uncontrolled. No system however intrenched, if fundamentally wrong; no institution employed to oppress; no dishonest public servant can stand adverse public opinion forever. And Democracy is the bulwark of public opinion. As a rule, the people will do the right thing when they know all the facts and the whole truth. Changes which are called reforms, if permanent and worth while, come through the slow process of law and order.

Let all patriots, of whatever class or calling, unite in making America a safer Republic in which to live. This is a problem sufficiently large and important to challenge the attention of this and succeeding generations.

CHAPTER XXIV

Moral and Spiritual Forces in Government

WHILE the Federal Constitution, the ground-work of our government, is divorced from religion, it can not be divorced from moral and spiritual forces or what we call religious inspiration, if it is to endure. Freedom of religious worship implies and encourages the acceptance and guidance of the moral and the spiritual. America was a protest against religious oppression and bigotry; the United States is a memorial to faith in Divine Providence, and the uplifting power of spiritual forces in the affairs of men.

When the framers of the Federal Constitution, in that remarkable convention of 1787, found themselves unable to agree and doubtful as to their success, on the morning of June 27, 1787, the venerable Benjamin Franklin arose and said: "Mr. President, the small progress we have made after four or five weeks close attendance and continual reasonings with each other is, methinks, a melancholy proof of the imperfections of the human understanding. We indeed seem to feel our own want of political wisdom since we have been running about in search of it. In this situation of this assembly, groping as it were in the dark to find political truth, and scarce able to distinguish it when presented to us, how has it happened, sir, that we have not hitherto once thought of humbly applying to the Father of Lights, to illuminate our understandings? In the beginning of the contest with Great Britain, when we were sensible of danger, we had daily prayer in this room for divine protection. Our prayers,

sir, were heard and they were graciously answered. All of us who were engaged in the struggle must have observed frequent instances of a superintending Providence in our favor. To that kind Providence we owe this happy opportunity of consulting in peace on the means of establishing our future national felicity. And have we now forgotten that powerful friend? Or do we imagine that we no longer need his assistance? I have lived, sir, a long time, and the longer I live, the more convincing proofs I see of this truth — that God governs in the affairs of men. And if a sparrow can not fall to the ground without his note, is it probable that an empire can rise without his aid? We have been assured, sir, in sacred writings, that 'except the Lord build the house, they labor in vain that build it.' I firmly believe this; and I also believe that without his concurring aid we shall succeed in this political building no better than the builders of Babel. We shall be divided by our little partial local interests; our projects will be confounded; and we shall become a reproach and byword to future ages. And what is more, mankind may hereafter from this unfortunate instance, despair of establishing governments by human wisdom, and leave it to chance, war and conquest. I therefore beg leave to move that henceforth prayers imploring the assistance of Heaven, and its blessings on our deliberations, be held in this assembly every morning before we proceed to business, and that one or more of the clergy of this city be requested to officiate in that service."

On retiring from public service, George Washington wrote to his countrymen: "Of all the dispositions and habits which lead to political prosperity, religion and morality are indispensable supports. In vain would that man claim the tribute of patriotism who should labor to subvert these great pillars of human happiness, these firmest props of the duties

of men and citizens. The mere politician, equally with the pious man, ought to respect and cherish them . . . Whatever may be conceded to the influence of refined education and minds of peculiar structure, reason and experience both forbid us to expect that national morality can prevail in exclusion of religious principles. It is substantially true that virtue or morality is a necessary spring of popular governments . . . Can it be that Providence has not connected the permanent felicity of a nation with its virtue? The experiment, at least, is recommended by every sentiment which ennobles human nature."

There was religion in the flag of Christopher Gadsden with its Liberty Tree and "an appeal to God;" and in the old Massachusetts flag with its inscription "an appeal to Heaven." The Stars and Stripes, Old Glory, typify a belief that "our God is marching on" to the goal of successful self-government. There is religion in our coinage adorned with the words "in God we trust."

What is today's test of the morality and the religion of the United States? There are more prisons, jails and houses of correction than ever. Crime is on the increase, according to statistics. Scandals, divorces and loose conduct appear to threaten the sanctity of the home and the purity of souls. More money is spent annually on confectionary, cigars and amusements than for educational and religious and charitable institutions. Is this conclusive evidence that the moral level of America is declining? By no means. The pessimist exclaims that there is an increasing disregard for law and order, and a decline in respect for the courts. The optimist replies that this is only apparent, and a manifestation of the powerful popular reflection of the public press. It is the foam on the crest of a passing wave, not the deep current

below. Crime is heralded far and wide; virtue is unproclaimed and its own reward indeed. If it is true that the moral level of America is declining and another "fall of Rome" is near, it were better to put the Ship of State out of commission at once, and end it all.

The everlasting truth is that the finger of fate is the finger of Providence, a guiding hand which, amid the storms and strifes of national and private life points the way. A survey of the three centuries back of us permits of no other hypothesis. Great leaders have lifted their eyes unto the hills and received as if by inspiration, the righteous promise of God. The laws of Heaven are inexorable; and only when citizens have violated them have they suffered. If America is to endure (and America will endure) men must look up, statesmen must accept the guidance of Providence, leaders must inspire confidence in God and in themselves.

There are some two hundred and fifty different religions and sects in the United States, numbering some 42,000,000 followers. Of this number by far the largest are Christians. But this total following is less than one half the total population of continental United States. One half of the American people, presumably, have no religious abode or home. Yet the influence of that one half is tremendous. Were it not for the churches and for religion and religious institutions, our whole government would collapse because of the collapse of moral and spiritual foundations. Nor is this religious and uplifting influence confined to the membership of the religious organizations; it extends to more than one-half, yea two-thirds of America's population, for many millions without church or religious affiliations are obsessed with that innate spiritual uplift which manifests itself in kindness, consideration and generosity. In other words, there is far

more good than bad in America; and if another national crisis comes, this statement will be verified.

There is more righteousness than religion in America; and many are prone to say that this is because religion has lost its hold. But the greatest power religion can have is the power of righteousness; and righteousness becomes a mere human attribute without religion.

Often it is said that Christianity has proved a failure. "Not so," said the late Philips Brooks, "because it has never been tried." Christianity is having a new awakening; it is being divorced from mere dogmatism and baptized in divine righteousness. There is one common ground where all religions and creeds may, nay should, meet; and that is the field of spiritual battle with wrong and injustice. Right here is where politics, public service and national problems will meet the moral and religious forces of the future. They will join hands and lift America into the sunlight of real liberty and justice.

Never before since human thought appeared, have the problems for the individual, for society and for the Nation seemed more tremendous than now. It is common-place to say that there is seething unrest, doubt of the sanctions of religion, a suspicion that something is going to happen to destroy our so-called civilization and our government. Swiftly moving events appear to challenge existing institutions — social, economic and religious. There is mingled dread and hope. Are the institutions, religious as well as political, sufficiently strong to stand the test of the coming years? Or is there to be a crash, a groping in the dark and a new world?

Let us pause and think. There can be no sound political, social or economic structure that does not rest on a moral and religious foundation. All private and public problems should

be solved in the atmosphere and amid the surroundings of courage, hope, confidence, humanity and divinity. Every perplexing problem now facing Congress, executives and judges, must be approached in the light of moral purity and religious illumination. The road is obscured by darkness and doubt, if Providence is shut out.

If our legislators and public men of today and the future are to solve the big problems of their time, they must be receptive to the powerful moral and spiritual forces of the Universe, and let Providence enter. A spiritual force may be somewhat foreign to the experience of the average politician, either legislator or executive; yet nothing but communion with that force will best develop his powers and arm him with tools of permanent structure and implements of imperishable value. The fruits of civilization or of legislation do not consist wholly of factories, machines, wealth, fertile fields or attractive cities. They are to be found in communities which have learned to live together in peace and good will. Civilization if permanent, must be another name for the Kingdom of God. That is built of the spirit alone. This may seem strange to the politician or student of government, but it is true eternally.

It is altogether fitting and proper to acknowledge that the moral and spiritual forces back of a century of effort towards peace and limitation of armament, have been in the churches and kindred religious organizations. Is it fair or just to argue that because there were centuries of war in the name of the "Prince of Peace;" because the Crusaders of the church were agents of war and the Crusades a crime against the spirit of Christianity, therefore Christianity and the Bible failed miserably? Is it fair to conclude that because the wars of recent times have been wars of professing Christians, there

is no alchemy in the doctrine of the Nazarene? On the contrary, the Christian church has "kept a little flame burning on the altar of peace through many bloody centuries." Its influence has been moral and spiritual. Obviously whatever has been gained thus far in the fight against war and for limitation of armament, is due to the church and other religious forces.

In a recent address Elihu Root said: "The world is full of hate because of the incapacity of the people to become truly civilized. The development of character must come through exercise by the people, of the virtues that make human character — mercy, compassion, kindly consideration, brotherly affection, sympathy with fellow men, unselfish willingness to sacrifice for others." In his Arlington address of November 11, 1921, on the eve of the Arms Conference, President Harding said: "The representatives of the leading nations of the world are assembled bringing a message from peoples hungering and thirsting for better relationships." From the First International Peace Congress in 1843 to the Limitation of Naval Armament Conference in 1921, including the two Hague Peace Conferences of 1899 and 1906, the moral and spiritual forces have been at work. Despite all discouragements and apparent failures, each successive conference marked "a continual progress toward making the practice of civilized nations conform to their peaceful professions." The Japanese-Russian war, the Spanish-American war and the world war were sacrifices, bringing out in bold contrast the leavening power of moral and spiritual forces. Righteousness among nations and peoples was a passion with the late Theodore Roosevelt. The story of his life is a tribute to the need and worth of moral and spiritual power in the affairs of men and governments. The noblest part of his Nobel

prize address at Christiana was: "Granted sincerity of purpose, the great powers of the world should find no insurmountable difficulty in reaching an agreement which would put an end to the present and growing extravagance of expenditure on naval armament."

Unless all signs fail, America is passing through a transition period, politically, socially and economically. Some mysterious force is taking possession of affairs and leading on. The agnostic and unbeliever in public life (and there are many) scoff at this, and persist in driving their chariots rough-shod and reckless. The self-seeking politician defies all opposition and scatters his enemies along the highway. The tool of the ungodly does as he is told and says in his heart: "There is no God." The sycophant of the opulent and over-bearing makes bold pretense with a cowardly heart. Is it any wonder that some one cries out: "Congress is at a low level; the government is falling!"

Out of the turmoil of politics, out of the confusion of thought in public affairs comes the comforting voice:

> "God's in His Heaven
> All's well with the world."

This is a spiritual voice calling to groping legislators and executives to have faith and lift their eyes unto the hills.

A former American jurist of standing and culture, is quoted as having made this observation: "The moral leadership which was so certainly within our country's grasp at the close of the world war, is passing, plainly passing, to Great Britain." Is this true? As a result of the war, the British Empire has expanded to 3,972,000 square miles, with a population of 51,725,000 people. The aggregate area of the British

Empire is one-fourth of the land surface of the globe, totaling 15,000,000 square miles, with a population of 475,000,000 or approximately one-fourth of the total population of the world. It is the mightiest empire in history; maintained by what? By moral leadership? No; by force. What did the United States get out of the world war? Nothing but a huge debt, and thousands of soldiers' graves. The United States asked for nothing.

"Moral leadership" is measured, not by what is gained in territory and power, but by what is gained in the way of unselfish sacrifice. Weighed in these scales, the moral leadership of the world, on the very day the armistice was signed, was with America, not Great Britain.

Great Britain has eighteen universities and 50,000 students; and about 52,000 churches and chapels. The United States has 554 universities and colleges, with 260,000 students; and 200,000 churches. The United States spends $650,000,000 annually on its public schools. Judging from these few figures, has the United States surrendered the "moral leadership" of the world to Great Britain or any other country?

A sinister internationalism is firing the temples of the past, and seeking the destruction of the priceless heritage which the struggles and sacrifices of the past have bequeathed to us. The unmistakable lessons of history are ignored. Strange cries are heard in denunciation of the national spirit and national life.

America needs another baptism of nationalism, a revival of patriotism, demonstrating that the United States has not transferred the moral leadership of the world to Great Britain or any other people, but rather holds to the ancient traditions that moral leadership comes from unselfish devotion to human-

ity, not from imperial power and the spoils of war. Our moral leadership will endure if we lift our eyes unto the hills.

It is perfectly obvious that something more than human agency must intervene to calm the troubled waters of national life and reconcile the differences among men and women. Congress is a human agency. A President is a human agency. They have limitations even if built of the wisest and best material. The hearts and souls of all must be attuned to the divine spirit if America is to be saved, and if what we call civilization is to endure. This is a practical program, however unfamiliar to many. It is human experience. It is divine plan.

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